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LITHUANIAN ACCOUNTING SYSTEM INTEGRATION INTO EUROPEAN SYSTEM

1. INTRODUCTION

Urgency of the theme. The development of business along with an increase of the role of international integration in the sphere of economy, makes certain demands for uniformity and clearness of formation principles which are used in the different countries. In addition demands apply for calculations of the profit by taxable base, capitalization of the created means and conditions of investment.

Globalization of the economy demands harmonization of accounting – the basic element of dialogue in business. Harmonization of accounting encourages international investments. Being able to use financial information of the companies of the various countries is especially relevant to investors, making investment decisions.

Questions on principles of uniform accounting become topical to all countries of Eastern Europe, including Lithuania. At the moment, foreign economic relations of the Lithuanian enterprises, having various patterns of ownership, gets more and more frequent. The entry in the European Union (EU) and further development of enterprise activity cause objective necessity to increase the role of book keeping in managing them. Successful operation of business is achieved not only due to financial, marketing, industrial policy, but also due to book keeping policy. Their overall aim is to receive the maximum final effect from economic activities of the enterprise. Accounting – is a model of a financial position of the enterprise made on the basis on the book keeping records. On the basis of accounting reports analysis, the interested users come to defined conclusions of relative success of the enterprise and an opportunity to find solutions within various sort of

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transactions. The analysis is able to show, if position of enterprise is in a good shape, or can lead to a conclusion that risks related to business are too significant, which eventually results in a finding that it doesn't pay off to start affair with it.

Research problems. Composition and the content of the financial reporting in Lithuania. A ratio of locally made decisions and the International standards of the bookkeeping in the charts of bookkeeping, balance structure and appendices.

The purposes of the research. The purpose – to analyse and discuss used accounting system, to estimate its conformity to the Instructions of the European Union and to requirements of the International standards of the accounting.

Research object and methodic. The object of research is the content and structure of the financial reporting in Lithuania and the International standards of the accounting, statutory acts, national enterprise standards of the accounting and the projects in progress, the First and Seventh International standards of the financial reporting, the Fourth and Seventh instruction of the European Union. The practical financial reporting, preparation and use of accounting forms and problems connected to it are analysed.

In this article monographic methods of research, the logic analysis and generalizations of the International standards of the accounting, laws and decrees of the Lithuanian Government, and also the scientific literature on the given subjects were used in order to carry out the research.

The basic moments in the present Lithuanian accounting reporting system and the forms of the accounting in general are reviewed. It is made being guided by the authorized statutory acts and decrees, regulating rules of how to conduct accounting by the Seimas of the Lithuanian Republic, the Government, the Ministry of Finance and the International accounting standards. While researching approaches, the analysis and synthesis, an induction and deduction, methods of sociological researches were applied.

2. RESEARCH RESULTS AND THEIR GENERALIZATION

The question about governmental regulations and content of financial (accounting) reports, considering the entry of Lithuania into market relations, has an exclusive value. Having in mind that financial report in essence is unique information base for both proprietors of the enterprises of various patterns of ownership, and for all other participants of market relations, the third parties who have intentions to start relations with one or another economic subject.

In the bookkeeping and reporting system one of the directions, characterizing gradual turn of Lithuanian economy into an external world is usage of the International Accounting Standards (IAS). The purpose of reforming the bookkeeping system is to conform national bookkeeping system with market economy requirements and International Accounting Standards.

By criteria of Ch. Nobes the Lithuanian accounting system can be attributed to the continental type. That is because of the following characteristics of the accounting system: weak level of professionalism, young representatives of a trade, small market share, the common accounting features: the general principles of the accounting laws, the accounting oriented towards taxes is determined by rules of the government, and information (Alexandr, Nobes 1994).

Composers and users of financial reports all over the world face problems of bookkeeping unification. Currently most popular approaches towards decisions have been: standardization and unification.

National enterprise standards on accounting with simultaneously prepared methodical instructions on each of them are developed and recently accepted in Lithuania. There the structure of the accounting and reflection of it in the financial reporting is established, but comments are not yet prepared. Therefore in practice analytical-accounting problems in the enterprises arise, for example: till now methodological comments are not present how grants and subsidies are treated in the tax laws, etc.

The methodological base for development of new and refinement of old propositions on bookkeeping, in the market relations environment, is approved by the Ministry of Finance of the Lithuanian Republic. Two new laws – the law of bookkeeping came into operation since 2002, and on the Financial reporting of the enterprises since 2003. According to the developers of these documents, such division was demanded by the World bank experts. It is necessary to note that such division is made rather artificially and the very purpose of such division is not absolutely clear.

The analysis of the lead researches has shown, that IAS and modern requirements of the accounting in Lithuania differ between themselves. The basic difference is that IAS demand the financial reporting to show more information proving and explaining the initial reporting of the represented data (in balance, the report on profits (losses), movements of money resources). For example it would mean, that it is necessary to show more widely the capital and obligations in balance, or to provide more detailed information on products and-or detailed elaboration of a geographical place, to present profits (losses) and show a total sum of sale in the report.

Other distinction to which it is necessary to pay attention to is that in the initial financial reports operations either related to persons or to off-balanced obligations are not reflected. The risks or uncertainties which

influences financial reporting conditions are not shown. It is necessary to note that requirements on risks management are not used as strictly as in IAS. Requirements on risks management mean the necessity of risk degree estimation in decision-making in uncertain conditions. For example according to Lithuanian accounting requirements the debts and the doubtful sums can be shown in balance till three years and only can be written off. IAS specifies, that this has to be done at once if only there are doubts about returning, adjournment therefore should be formulated or should be written off.

At calculation of deterioration in LR there can be differences with IAS. The enterprises can choose term of deterioration of buildings from 40 till 80 years, though IAS suggest limit of 40 years (*Cash-flow...* 1992).

Under the decision of EU accepted on XXV congress of the European association of bookkeepers since 2005, observance IAS requirements will be obligatory only for the firms registered at stock exchanges. Other companies will make the financial reporting by the rules established in each country. At the same time the EU will tend till 2005 to develop methodical materials on introduction and interpretation of the International standards in different directions of activities. In Lithuania preparation of the financial reports with observation of IAS requirements is planned, by the decree of the Ministry of Finance, since May, 1, 2004, for all enterprises (i.e. after the entry into EU) (<http://www.apskaitosinstitutas.lt/>).

From 2004 bookkeeping in Lithuania is carried out under new statutory acts – National Standards of the Accounting of Business (NSAB). Therefore complex work is waiting for bookkeepers of all enterprises. Already now it is necessary for the bookkeepers to solve the vital problems transition to the new plan of accounts. This will change logics of the accounting records. Implementation of the new plan of accounting, recalculation previous remains by a new methodology is one of the basic works that bookkeepers have to do in order to avoid big amount of recalculations to prepare new forms of the financial reports at the end of the year. Not all bookkeepers of the enterprises can conduct accounting by new NSAB on its own. For this purpose it is necessary not only to have working experience, but it is necessary to know the International standards of the accounting, be able to use English language well. Therefore it is recommended to address to the experts of consulting firms for help. They can do the explanatory work of the rules, specify what concrete accounting procedures and instructions of statutory acts should be introduced.

Recently more and more enterprises are stockpiling because of the doubtful and inappropriately received sums. Despite that, correction of stocks in the financial reporting according to IAS is frequent (70%) and also are significant (2,8%) (Bičiulaitis 2000, p. 8–18).

The international standards of the accounting are fixed in the law of the Basic bookkeeping. Sections of the law cover: essence of book keeping, the order of inventory, an estimation of actives and passives, definition of financial results, drawing up of the reporting by the enterprises, features of the reporting of corporate structures, audit of the reporting and conditions of its publication, the organization of archives of accounting documents, the criminal liability for infringements of the legislation, etc. Actions of the given law are distributed practically on all economic subjects.

The basic taxes are the income tax of the organizations and of physical persons and the value-added tax.

Coherent plan of accounts. The law on bookkeeping presents each organization the right to have own chart of accounts. However the organizations can accept typical chart of accounts, which are developed by the Commission of the securities for the companies included in the exchange list, and the Ministry of Finance for the other organizations. Since January a new valid coherent chart of accounts of LR is introduced. The chart of accounts basically has not changed. The class of accounts has remained as well. Some groups of accounts and names of accounts have changed only. A part of accounts rearranged. Invoices are necessary to collect the information necessary for drawing up of the financial reporting, therefore when the form of the reporting changes, it is necessary to make corrections to the chart of accounts. The new chart of accounts is prepared according to representative forms of financial reporting prepared by NSAB.

It is possible to note, that in a new coherent plan of accounts the first two signs correspond to articles of the financial reporting – the minimal revealing information of balance and the report of the profit (and the loss). This feature of the plan of accounts should be useful in making the financial reporting, using the computerized programs of the accounting as it has a strict hierarchy structure. On the other level there are three sign accounts, articles of the financial reporting that are scattered on subclasses, for the accounting of the information. This information is displayed in sub items of the financial reporting. Having become familiar with a coherent plan of the accounting, what first is noticed, is that the list of expenses of activity, which in our opinion is not absolutely related with the mechanism of management and administration, has increased.

The financial reporting. The financial reporting of the enterprise will consist of balance, the report on profits and losses and the additional information. Besides state and private enterprises, behind exception, small, are obliged to make the report on movement of money resources.

At drawing up of reports for external users, in system of the financial account, the bookkeeper is obliged to be guided by working normative documents. 4. Instruction precisely regulated the order of compulsion of

publication of financial reports and criteria of differentiation of the enterprises (large, average and fine), which became a sales volume, currency of balance and number working. The simplified financial reporting can be applied at the enterprises on which two of the following parameters are not exceeded: average number of person 50; value of pure actives of the enterprise on the end of fiscal year – 1,000,000 euros; pure incomes from realization of production and other economic operations for a year – 2,000,000 euros.

The board of directors of any enterprise should prepare the annual report of economical activities. The form of balance and four alternative forms of the report on the profit and losses are considered in appendices to the Accounting Law (*LR Buhalterines...* 2001).

Periodicity of the preparing of reports is determined by legislative statutory acts. The full financial report is made by the enterprises on results of year, less detailed – quarterly.

According to provision about book keeping and the reporting in the Lithuanian republic, the enterprise independently determines system and forms of book keeping, the internal control, the organization of work of accounting service. The responsibility before external users of the registration data and supervising bodies for the high-grade and authentic account is assigned to director of the enterprise (the person being the manager of credits, i.e. possessing by the right of the first signature). The chief accountant on the named parameters bears the responsibility before director of the enterprise.

Methodological and methodical principles of book keeping, the general questions of the technology of the accounting, document circulation, forms and terms of presentation of the quarter and annual reports are determined by the Ministry of Finance of Lithuania. The enterprise has the right to choose methodology, technical equipment and the organization of book keeping within the framework of the general legislatively established scheme. Handing over the annual report, the chief accountant of the enterprise represents to the state tax inspection the order on the enterprise for a accounting policy for the begun registration year in which reflects independently chosen concept and system of the account. Changes in a registration policy during a year are not supposed.

Currently the enterprise for the accounting period presents such financial documents of the accounting: balance, the report on change of a financial condition (a stream of money resources), the report on incomes (charges) with the report on distribution of incomes, explanatory note (the report of directors).

Drawing up of the specified annual financial reporting is obligatory for all enterprises having the rights of the legal person. The small enterprises

having the rights of the legal person, can make the reduced reporting, which forms are approved by the Ministry of Finance. The term of preservation of documents of the accounting reports at all enterprises is 10 years.

The order of carrying out the accounting in the budgetary organizations in essence has small differences from Soviet times. Therefore it is necessary that Standards of the accounting of the budgetary organizations have been prepared. Since January, 1, 2004 the law on the individual enterprises has entered. Though this law directly does not regulate the order of carrying out of the accounting at the personal enterprises, but nevertheless there are instructions which are necessary to know to the persons conducting the accounts of the personal enterprises, because some sections have to be adjusted.

The annual financial reporting is made by generalization of the data for every fiscal year, and full balance at date of establishment and liquidations of the enterprise.

Cash flow report does not meet the Requirement No. 7 according to the International accounting standard because it is stated that "an enterprise has to present separately the most important articles of incoming cash flow and payments of the investment performance" (*Cash flow...* 1992), but in the current cash flow report articles of investment performance (II.1, II.2) and financial activity (III.5, III.6.1 and III.6.2) prepared by the Lithuanian Ministry of Finance there is a presentation given not of separate cash flows, but an arithmetical sum of positive (income) cash flows and negative (payments) cash flows (Christauskas 2000, p. 110–121).

The data on the added value taxes are present at accounting reports of many countries of Europe. Profit is calculated as a difference between proceeds from realization of production, its industrial costs and periodical charges collected in the domestic account on account 6 of a class. This approach represents the modern standard of the financial account of the western countries with market economy. Its application in our country started in 1993.

The report on changes of a financial condition on movement of money resources is made to help to estimate: ability of the enterprise to provide positive pure movements of money resources in the future; its ability to carry out of the obligation on payment of interests under loans and their repayment, and also payment of dividends, etc.; the reasons on which shown in balance and the report on profits and losses the profit differs from corresponding receipts of money; influence of the various economic operations carried out for a year on a financial condition of the enterprise.

The account of money resources is conducted not only to receive perception about movement of money during economic activities of the enterprise, but also to have an opportunity in due time to expect surplus or

lack of them. The account about changes of a financial condition (monetary streams), monetary streams for the accounting period from industrial (trading), investment and financial activity of the enterprise are specified.

Balance. Having carried out comparison of forms of the bookkeeping reporting, it is possible to assert, that the form of the balance LR corresponds to requirements put forward by foreign investors, some clauses are even more detailed and informative.

The form of balance is authorized by the Law on book keeping. It is in essence similar to the form, defined by the Fourth Instruction of the European Community, but differs that in balance relations with divisions are distinguished, not allocated, credit and debit debts, arisen and reimbursed in accounting year; and debt with duration more than year is regarded as long-term. Not turnover able actives are subdivided on material and non-material. Buildings concern to the first, constructions, mechanisms and the equipment, vehicles, etc. expected term of their useful use should be more than one year.

These actives are used by the enterprise or intended for use on contractual conditions other enterprise (the current rent, etc.). The property which is not being the property of the organization (financial rent) but on which according to the tax laws the tenant is obliged to charge deterioration also belongs to such group. However in practice all rent is treated as current.

Rights of the enterprise concern to non-material actives on the property, got and used with a view of reception of the profit. They include joint possession of the rights to the real estate, copyrights, inventions, patents, trade marks and other rights with useful validity over one year, used by the given economic subject or other enterprise used on contractual relations. Besides in structure of non-material actives is included: the organizational costs related to establishment or further – development of the enterprise; expenses for development and improvements of the enterprise.

Financial assets include: shares, bonds and others stocks got not with a view of resale; the given long-term loans. The current actives will consist of material-industrial stocks, debit debts, market stocks and money resources.

Own and involved capital is subdivided into five groups: capital; reserves; long-term obligations; short-term obligations and funds of special purpose; the saved up costs and incomes of the future periods.

The capital (own fund) includes: the authorized capital; the subscription no-charge capital; the additional capital; reserves on reassessment of actives; the other reserve capital; unappropriated balance; net profit or the loss of fiscal year. Thus the additional capital will consist of the sum of excess of the actual price of shares above nominal, the reserves formed according to the legislation, notarial deed of the company (the joint contract about establishment of the company and the charter), other agreements or ad-

ditional increase in the capital (for example additional capital temporarily given for using by shareholders).

The net profit (loss) of the current year is underlined in balance separately as its use depends on the decision accepted at annual assembly of shareholders. The size of the profit (loss) reflected in balance, should be equivalent to the net (pure) result reduced for the sum of deductions from the profit (the size reflected on the account "the Profit and losses") which basic part is made by taxes.

The reserves created for taxes of incomes of the organization or physical persons, it is necessary to distinguish from other reserves. According to Position on book keeping and instructive materials on taxation of incomes the first group of reserves is dedicated "to smooth" the time difference resulting from getting income or costs, in the different periods.

The given reserve should be created for a delay of tax payments. Other reserves are intended for protection against various risks, potential losses and financial consequences of other incidences. In particular, a reserve is created on delayed debit liabilities (for example, arisen owing to bankruptcy contragent or non-payments under liabilities over 6 months), doubtful debts. Long-term obligations are subdivided into debt, mortgaging obligations and other guarantees, credits of banks; other long-term obligations. Size of the long-term period specially is not stipulated, but it is meant, that it should not exceed 12 months. Short-term obligations include taxes, customs payments and obligations on social insurance; saved up compensations, etc. Special reserves are created according to requirements of the legislation (for example, fund for workers of the enterprise).

Currently there is format of the account of profits and losses.

The appendixes to the report contains the information demanding more detailed disclosing, and are intended for specification of an objective estimation of actives, a financial condition, financial results and profitability of the economic subject. In particular, appendixes should include: the description of methods of an estimation used in the reports, and also other methods used at drawing up of the reports, and the reasons of the changes which have occurred in comparison with the last year; the additional information on actives, obligations and own means reflected in balance and the report on profits and losses; any essential information necessary for an objective estimation of balance and the report on profits and losses; the description of the implied sources of assignment of the profit (assignment of losses); the information on staffs of the enterprise and data on members of board; cost of the grounds which belong to the organization; cost of the basic means used on conditions of financial and current rent; obligations to the budget (federal and regional); the analysis of creditor debts on terms of

its occurrence (till 1 year, from 1 year till 5 years, over 5 years); the list of interest payments, receipts of incomes of the future periods; the list of types of debt, guaranteed by actives of the enterprise; volume unforeseen creditor debts, including bills and guarantees; unplanned amortization deductions with a substantiation of the reasons; amendments to size of the profit on changes of cost of the stocks, arisen because of decrease {reduction} in volumes of realization; a difference between size of the taxable income (determined in conformity with the tax laws) and size of the profit (loss) specified in the report on profits and losses; the information on unforeseen incomes and the losses formed owing to circumstances of indefinable force; the tax to incomes from the unforeseen profit (loss); deferred debts on tax payments.

The report on movement of money resources is included with the data on movement of money resources from primary activity, investment activity and financial activity; changes of size of monetary actives; their size on the beginning and the end of fiscal year.

Except for traditional bookkeeping forms, the board of all types of ownership of enterprises is obliged to represent the administrative report on results of activity of the enterprise for a fiscal year. The annual accounting reporting and decisions on its approval, issued on general meeting of shareholders, the order of distribution of net profit and write-off of the loss, the annual report of administration of the enterprise, and also the auditor conclusion (if the enterprise is subject to obligatory audit) are exposed to judicial or commercial registration.

The given rule is distributed to the enterprises of all patterns of ownership.

For the state or large private organizations balance, the report on profits and losses, the report on movement of money resources, the auditor conclusion and decisions of the loss, born on assembly of shareholders, are considered for their publication. Small private enterprises are released from the publication of the reporting.

The consolidated reports are obligatory for the financial groups including the head company, daughter companies and dependent firms. Its structure includes: free balance; the summary report on profits and losses; the summary report on movement of money resources; the additional information (an explanatory note to the financial reporting); the special report on activity of group.

For the consolidated financial reporting the following methods are used: for daughter companies – a method of full consolidation; for dependent companies – a method of purchase (the second method is applied to the consolidation of the reporting of daughter the companies with completely various fields of activity).

Drawing up of the consolidated financial reporting is not obligatory for any daughter or dependent enterprises if the enterprise has been bought for resale; the share of the enterprise in the financial reporting of financial group is insignificant in comparison with the others; the control over the enterprise is limited to time frameworks (no more than 1 year) or in other ways.

It is necessary to exclude from the consolidated reporting: mutual debit and creditor debts; incomes and costs of economic operations between firms – participants of consolidation; the profit and the losses arising from group operations; the dividends paid or received from headquarters plant.

At consolidation firms are obliged to apply uniform methods of an estimation and drawing up of the reporting. In case of impossibility of application in the current report of uniform methods, before procedure of consolidation their updating should be carried out.

The additional information includes: the list of the enterprises which belongs to the financial group; the description of methods of an estimation and accounting; the analysis of dependence of size of incomes both from realization, and from kinds of activity and a situation in the market; the changes occurred in the financial group in the accounting period.

Results of research of one of the enterprise, which is joint venture of firm NORDIC from Norway, are submitted below. The enterprise has the foreign capital, the accounting is carried out by the international rules, and the financial reporting is represented in LR, to the investors from abroad and to private subjects. Therefore it was possible to compare the reporting represented to the various countries and correspondence to IAS and to requirements of EU. In the table results of the sums of the international and Lithuanian balance are submitted.

Table 1

Comparison of the sums of the international and Lithuanian balance

Names of the sums of balance	Fiscal year	Last fiscal year
The international sum of balance	17 245 543	19 551 733
The Lithuanian sum of balance	20 804 451	19 565 491
Difference	3 558 917	13 758

For last fiscal year results differ because of differences in part “Capital” of the balance in clause II.2.1. “Signed, but yet not paid capital” (3,500,000 Lt). The head company has decided to invest in the examined enterprise, has signed the contract, but yet has not paid, money, will be transferred in new financial year. Acts of a regulation of account in LR demands to present it in the financial reporting reflecting this sum in clause of balance

“Signed but yet not paid capital”. Because of this clause increased implied financial reporting of the consumer. Such clause is not present in balance presented to foreign investors, because there is an agreement, if one company has not completed financial operation (in this case NORDIC not fixed payment of 3,500 thousand Lt) then another should not show it.

Other sum is formed because of a methodology of accounting balance in “Obligations”, the 5th clause “Not distributed profit (or the loss)”. In the submitted Lithuanian balance the profit is bigger because of the instruction “the Recognition of hopeless duties charges” (*LR Finansų* 2000, p. 108–3509), which allows hopeless debts to be written off in parts during five years interval. In the head company hopeless debts are written off at once, therefore the represented profit is less. Results of comparison of last years of the financial reporting does not mach because of differences in similar balance sums.

From the data analysis we can calculate actual differences and differences in percents, thus getting amendment evaluations of different balance clauses. Correction of the financial reporting has reduced the property of the enterprise on the average by 13,4% (Bičiulaitis 2000, p. 8–18). It shows how inaccurate can be the financial reporting of the enterprise if prepared under Lithuanian tax accounting requirements.

Discrepancies occur because of following reasons. The principal cause of the differences in amortization and deterioration of the long-term capital is, that in tax duties is not estimated reduction of the price of the unused capital or of capital impossible to use. Contrary, in the financial reporting under requirements of IAS it is strictly required to reflect only that part of the material capital, having taken away deterioration which, earns the income and/or is used by the enterprises for other activity. Therefore, for example, the cost of stopped or unplanned to be finished constructions can to be written off.

Corrections of the long-term financial capital at the Lithuanian enterprises are rare (26,7%), but emerging economic conditions are very significant (3,2%) (Bičiulaitis 2000, p. 12). The best example of correction can be reduction of long-term State securities up to current prices. In IAS securities should be reflected in financial reporting as clean contemporary price or – a market price. In the financial reporting of Lithuania prepared under the tax account rules, the State papers are basically reflected by the got price, though frequently in an explanatory note to balance, the information connected to the bonds, which even cannot be realized in the market, does not appear at all.

Amendments of various clauses of the financial reporting have influence on the joint-stock property of the enterprise, having prepared the financial reporting according to IAS the sum decreases on the average for 13,4%

(Bičiulaitis 2000, p. 8–18). This means that financial reporting, prepared in conformity with demands of the tax account rules, does not represent true value of the capital and obligations. Therefore, based on them, managerial decisions about lending or investment can be frequently erroneous. Hence, trying to avoid errors, it is necessary the financial reporting prepared under requirements of the tax account, to reconstruct according to IAS.

Registration policy and the practice of an estimation of the measurement of the incomes. A methodology of an estimation of registration elements in book keeping in Lithuania considerably do not differ from rules of the other countries. The law of book keeping No. 1-2654 specify, that the general methodical management of book keeping should be carried out under laws LR IAS and instructions of EU. Therefore main principles of the concept of the account in Lithuania coincide with IAS. Proceeding from methodology of formation of the information for external and internal users in the concept the purposes of book keeping are precisely determined, adherence to basic principles of world practice of book keeping is confirmed. In particular, to continuity of activity of the working enterprise; to charges; to principles of quantitative reflection (measurement); to care in an estimation (conservativity); to autonomy of the organization; to fundamentality; to the accounting period; to consistency. In a basis of the accounting lays almost the same requirements to the data of book keeping: objectivity, accuracy, possibilities to verify, timeliness.

It is necessary to note, that this also concerns to recognition of the definition of incomes and charges and financial results of the enterprise accepted in world practice. At the same time, volumes and detail of principles of the accounting in Lithuania are not sufficient, wishing to guarantee the use of the uniform account at the enterprises of Lithuania. Therefore, already now, where there is a wish to reflect more precisely size of the capital and obligations it is possible to notice the tendency to IAS. Auditor firms frequently carry out check of the financial reporting on IAS.

This means, making the financial reporting that it would correspond to requirements of tax inspection and of the IAS it is necessary to make respective amendments and regrouping. Strict application of the IAS is the basic problem. Institutions of national regulation should use a standard implementation policy. IAS cannot to capture all transactions and branches of business. Institutions of national regulation should create standards to specific industrial branches and transactions. It is necessary to have in mind, that local tax institutions can not reject (disapprove) IAS in tax accounting, therefore local rules of calculation of the tax can contradict specific rules of IAS, and the enterprises using IAS to have beforehand negative sight.

In book keeping it is necessary to reflect objectively a condition of actives, a financial position of the economic subject, financial result. The law on book keeping demands that all current operations have to be correctly reflected in bookkeeping registers. Besides it is necessary to adhere to a principle of discretion (conservativity). Estimation of the property, the involved capital and definition of financial result is made on premises, that the enterprise will carry out its activities in the foreseeable period (if this does not contradict to actual conditions or the official decision on its forthcoming liquidation was not accepted). All kinds of incomes and the costs connected to them should be taken into account at the moment of occurrence of obligations irrespective of date of receipt of means or payments.

However unpredicted profit should be taken into account only at the moment of its reception. At registration of property and obligations the following prices are taken: the basic means and non-material actives – the price of purchase, the industrial cost price, cost of reassessment estimating deterioration; work in progress; share in other enterprises; long-term investments – the price of purchase, the industrial cost price; short-term financial investments – actual expenses, but are not higher than the probable price of realization; the liability – the probable price of realization (in case of difference from the price of purchase fixed as incomes or charges); debit and creditor debt, including loans, – the sums due to payment or reception; money resources; the capital and reserves; the released securities; other actives and obligations – nominal prices.

For comparison it is necessary to note, that the technique of an estimation of objects of the account differs a little from considered above. So, the basic means are taken into account at the price of purchase or on actual expenses for building (purchase) and carrying out in a condition of readiness. The concept of the probable price of realization is not used; short-term financial investments are credited at purchased cost. The price of purchase of the imported goods includes all costs on finishing the goods up to a suitable condition to use, and also State Taxes and payments. In case of impossibility of revealing of the price commodity – material assets or by their gratuitous transfer to the account, the prices for analogue production are applied. In case of impossibility of definition of expenses for manufacturing of a product they are determined as an expense for manufacturing of a similar product or similar product a minus normal profit.

The basic means and size of their deterioration can be subject to reassessment (for example, with a view of avoidance of inflation). Thus arising differences are written off due to a reserve on reassessment of actives. Amortization is calculated on predetermined scheme with use of

terms and factors of deterioration for concrete groups of the basic means. The size of calculated deterioration can change depending on number of labour shifts; a level of technological and economic progress: manufacturing capacities; official terms of exploitation; the preset liquidating cost; factors of deterioration according to the tax laws.

Estimation of non-material actives and calculation of deterioration on them are similar. In a case when the price of purchase appears below a market price of purchase of actives, the difference is set off in incomes of the future periods. Subsequently, purchase can be written off in more long term in the event that it has been stipulated by a registration policy of the enterprise.

Resources and stocks securities (intended for resale) can be evaluated at the average cost, or at the price of the first purchases (FIFO), or at the price of last purchases (LIFO), or under the actual prices of purchase. Thus the resources subject of getting old should be estimated at the price of probable realization. If finished goods and the goods got for resale, will be sold within 5 years their cost can be written off at a loss.

Joint-stock capital of the firms should be shown in the sum resulted in the charter. Grants, subsidies and contributions on capital investments, reconstruction and development are regarded as target receipts, versions of incomes.

The operations which are carried out in a foreign currency are recalculated in national currency and are taken into account as follows: money resources, shares and stocks – on an actual exchange rate for purchase or sale; other actives or obligations – on an average exchange rate at date of fulfilment of operation.

At drawing up of balance cost of the objects appreciated in a foreign currency, also is subject to reassessment: shares of other enterprises, long-term securities and available means in a foreign currency – on a real exchange rate for purchase, but are not above the average of exchange rate valid for date of drawing up of balance; other actives and obligations – on the average exchange rate at the drawing up date.

At presence at firm of the branches functioning abroad and making the reporting independently, consolidation is carried out with use of the average exchange rate valid for date of drawing up of balance. At consolidation of the reporting daughter firms which are taking place abroad, translation of a foreign currency in national is carried out: in the report on profits and losses – on average for the accounting period, in balance – at the rate of an exchange for the date of drawing up of balance. The same rules are valid for debit, and creditor debts.

The average exchange rate is determined by National bank of Lithuania.

Course differences at the moment of payment of accounts, and also at an estimation of money resources, shares and other securities for date of drawing up of balance are treated or as financial costs, or as the financial income. The positive course differences arising at an estimation of other actives and obligations are taken into account as incomes of the future periods, negative – as financial costs.

Obviously, in these difficult, from the point of view of the tax laws, conditions it is more expedient to divide the accounting on administrative, financial and tax. For the administrative account in Lithuania there is a good prospects as the accounting is becoming more computerized, companies with foreign capital shares are establishing. The financial account is based on the standard principles which adjust record, an estimation and transfer of the financial information, i.e. it up to the certain degree is centralized. The public financial reporting is subject to obligatory auditor check.

The basic emphasis in reform is made on changes of methods of a professional training. With the help of the program on an exchange between the Lithuanian and western universities has been achieved essential progress in the field of book keeping. All this has essentially affected training: the emphasis has been made on assimilation of book keeping, rules of practical application that has allowed to the future bookkeeper to make the plan of accounts by himself. Perfection of the accounting legislation as result of accumulation of experience in application of new laws and integration of the Lithuanian economy into the European market further proceeds.

Though the concrete enterprises being guided by statutory acts can independently choose internal industrial system of the account. This system of the account at the enterprise should be appreciated by such factors as a pattern of ownership, capital and legal statuses and field of activities. A methodology and the organization of bookkeeping should not contradict to laws of republic and as much as possible objectively to reflect their basis.

In the conclusion it is necessary to note, nobody can estimate scale of the enacted new laws, whereas regulation of bases of the accounting will be carried out through NSAB, the some them will come into force in the nearest future. However comparing present laws of book keeping and the financial reporting, even now it is possible to ascertain, that new legal acts did not become more liberal and flexible, they are even more toughened. Using new laws, many the bookkeepers have not felt that the rules of the basic bookkeeping have changed.

The international standards of the accounting and national system of bookkeeping becomes real and necessary improving in the accounting and the reporting in the republic.

3. CONCLUSIONS AND OFFERS

The purpose of works spent now on standardization of book keeping in Lithuania is creation of new system of normative regulation of book keeping and the reporting, oriented on market model of functioning of economy, harmonization of principles and rules of conducting the account and drawing up of the financial reporting according to International standards. The major task becomes integration of system of normative regulation of book keeping and the reporting into the new economic legislation of the country.

Reorganization of the accounting in Republic yet has not ended. It proceeds further and this work raises new problems.

To improve the system of the account of Lithuania it is necessary: objectively to estimate an existing condition of the accounting, to adopt the advanced theoretical and practical experience of the foreign states, using developments of IAS and instructions of the European Union.

The used form of the reporting of money resources has lacks, therefore it is necessary to take advantage of recommendations of 7. International Accounting Standards of the reporting and Financial Council of the Account of Standards 95, i.e. to use a direct method as this way the prepared reporting of money resources is more quick-witted also more informative than created in the indirect way.

In new conditions enterprises increasingly need to more actively use bookkeeping to supervise and improve registration operations. Accounting takes one of the main places in their control system, thus increasing the importance of the information.

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*Česlovas Christauskas***ZHARMONIZOWANIE LITEWSKIEGO SYSTEMU RACHUNKOWOŚCI
Z SYSTEMEM EUROPEJSKIM**

Obecnie trwający okres integracji gospodarczej to czas poszukiwania wzajemnych korzyści. W tym celu opracowano międzynarodowe standardy rachunkowości – zalecenia normujące działalność przedsiębiorstw w skali światowej. Państwa należące do Unii Europejskiej również dążą do harmonizacji rachunkowości, co jest szczególnie ważne w kontekście międzynarodowych inwestycji. Korzystanie z informacji finansowych publikowanych przez firmy zagraniczne jest niezbędne przy podejmowaniu decyzji inwestycyjnych.

W artykule omówione są systemy rachunkowości stosowane obecnie na Litwie oraz próby dostosowania ich do europejskich wymogów. Opisane są również systemy rachunkowości stosowane w krajach sąsiednich oraz przeanalizowana jest zgodność zasad sporządzania sprawozdań finansowych z postanowieniami dyrektyw UE oraz IAS.