

ACCOUNTING OF RESERVES: EXPERIENCE OF THE REPUBLIC OF BELARUS AND INTERNATIONAL PRACTICE

**Л. В. МАСЬКО, ludamasko@mail.ru,
Н. Е. ГРУЗД, gruzd.nadya2011@yandex.by,
Полоцкий государственный университет**

***Abstract.** In this article, the essence of reserves, as well as the situation on their creation, is considered. On the basis of the study, a comparative study of reserves in the Republic of Belarus and international practice is presented.*

***Keywords:** essence of reserves, accounting, international practice, comparative characteristics*

***JEL:** M41*

In the Republic of Belarus, the main regulatory document that regulates the accounting of reserves is the Accounting Instruction "Provisions, Contingent Liabilities and Contingent Assets" (the "Instruction"). This instruction is an element of the state regulation of accounting and reporting in the Republic of Belarus and is used in the recognition, assessment and disclosure of information in accounting and reporting for reserves, contingent liabilities and contingent assets in accordance with international financial reporting standards.

However, this Instruction does not apply to creating and recording in the accounting and reporting provisions for possible losses on assets that result from:

- contracts (contracts) to be executed, except burdensome contracts;
- reducing the value of material values;
- Impairment of financial investments in securities;
- provisions for current expenses, including holiday pay
- other social payments, for repair of fixed assets, to cover possible losses on investments

that are subject to depreciation. [5]

According to this instruction, the reserve is an obligation that has uncertainty about time or amount. In accounting, the balance account "Expenses of future periods" is used to reflect the reserve. To create and reflect a reserve in accounting and reporting, the following conditions must be met:

- an organization has a current obligation (legal or traditional),
- it is probable that an outflow of assets will be required to settle the obligation; a reliable estimate of the amount of the reserve can be made.
- if one of the conditions is not met, no provision is made.

If the organization is in doubt about the existence of the current obligation, then any additional information or expert opinions are used. If there is a significant probability that the current liability exists at the reporting date, the organization creates a reserve, subject to all conditions for its recognition. If it is less likely that the current liability exists at the balance sheet date, the organization in the explanatory note to the financial statements discloses a contingent liability [5]. For an example of creating a reserve, consider several situations (Table 1):

Table 1. Situation of reserve creation

Situation	reserve	Actions
The occurrence in the past (before the reporting date) event led to the appearance of a possible obligation, for which it is possible, but it is unlikely that the disposal of assets	No	Disclose a contingent liability if the probability of asset retirement is not remote
An event in the past led to the appearance of a current obligation, for which an asset retirement is likely, but a reliable estimate of the obligation can not be made	No	Disclose a contingent liability (this situation is rare)
The event that occurred in the past led to the emergence of a possible obligation, for which a possible disposal of assets is possible and a reliable estimate of the obligation can be made	Yes	In respect of the reserve, disclosure is required

In the accounting statements, information on reserves is disclosed in the notes to the financial statements. The organization in the notes to the financial statements discloses the following information:

- the balance amount of the reserve at the beginning and end of the reporting period;
- newly created reserve amounts, increases in existing reserve amounts for the reporting period;
- used amounts of the reserve during the reporting period;
- recovered amounts of the reserve during the reporting period;
- a brief description of the nature of the current liability and the estimated time of disposal of assets;
- indication of circumstances of uncertainty regarding the amount or time of asset retirement;
- basic assumptions made about future events;
- the amount of expected compensation, indicating the amount of the asset recognized for this reimbursement.

Investigating international practice it is important to note that in IFRS reserves are regulated by a separate financial reporting standard (IAS) 37 "Reserves, contingent liabilities and contingent assets". This standard is applied to ensure that the appropriate recognition criteria and the basis for measuring allowances, contingent liabilities and contingent assets are applied, also in order to provide sufficient information in the notes to the financial statements that enable users to understand their nature, timing and magnitude.

This standard should be applied by all enterprises when accounting for reserves, contingent liabilities and contingent assets with the exception of: -proceeds from contracts in the execution stage, unless these contracts are burdensome

- those covered by another International Financial Reporting Standard.

This standard does not apply to financial instruments (including guarantees) that fall within the scope of IFRS 9 Financial Instruments.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" provides the following definition: a reserve is a liability with an indefinite due date or an obligation of an indeterminate amount.

A distinctive feature of the reserve is the presence of uncertainty either in terms of execution or in the amount of performance. This distinguishes the reserve from other liabilities, for example, from trade payables, since both the due date and the amount of payment are known for the latter.

The reserve should be recognized in cases when:

- (a) the enterprise has an existing obligation (legal or conclusive) arising from any past event;
- (b) it seems likely that an outflow of resources containing economic benefits will be required to settle the obligation;
- (c) it is possible to provide a reliable estimate of the amount of the liability. If these conditions are not met, the reserve should not be recognized.

As examples of such reserves that are created in accordance with the requirements of IAS 37, the following reserves can be cited:

- for warranty repair (replacement) of goods sold;
- on a lawsuit if it is probable that a court decision in the future will require an outflow of resources containing economic benefits;
- for decommissioning of fixed assets;
- On an onerous contract;
- for restructuring - in terms of costs that are allowed to include in the reserve (also discussed below).

IAS 37 rightly states that, in a broad sense, all reserves are conditional, because they are characterized by the uncertainty of the time or amount. However, the reserve is recognized in the financial statements, as it corresponds to both the definition and the criteria for recognizing the

obligation (there is a possibility of an outflow of resources containing economic benefits and assuming the possibility of obtaining a reliable estimated estimate, the value of the obligation can be determined)

For each type of reserves, an enterprise should disclose the following information:

- (a) the carrying amount at the beginning and end of the reporting period;
- (b) additional reserves recognized during the period, including an increase in existing reserves;
- (c) the amounts used (that is, actually incurred and written off from the reserve) during the period;
- (d) unused amounts recovered during the period;
- (e) the increment of the discounted amount for the reporting period over time and the result of changes in the discount rate.

Comparative information is not required.

The enterprise should also disclose for each type of reserves:

- (a) a brief description of the nature of the obligation and the expected timing of the disposal of its associated economic benefits;
- (b) an indication of the signs of uncertainty about the magnitude and timing of their disposal. In cases where the completeness of reporting is required, the entity must disclose the main assumptions made about future events.
- (c) the amount of any expected reimbursement, indicating the amount of the asset that has been recognized in respect of this expected reimbursement

For a visual representation of coincidences and differences in accounting for reserves in accordance with IFRS and the legislation of the Republic of Belarus, consider Table 2.

Table 2. Comparative characteristics of reserves accounting in accordance with IFRS and the legislation of the Republic of Belarus

Category	Belarusian Accounting Rules	IFRS Rules
Documents regulating the accounting	Instruction on accounting "Reserves, contingent liabilities and contingent assets"	International Financial Reporting Standard (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets"
The essence of the concept	reserve - an obligation that has an uncertainty about the execution time or amount	reserve - an obligation with an indefinite due date or an obligation of uncertain value.
Evaluation	An estimate of the amount of the provision represents the best estimate of the costs necessary to discharge the current liability at the balance sheet date and which the entity would actually pay or transfer to a third party at that date	The amount recognized as a provision should reflect the best estimate of the costs required at the end of the reporting period to settle an existing liability
Risk Management	In determining the best estimate of the amount of the reserve, risks and uncertainties that inevitably surround many events and circumstances are taken into account.	Risks and sources of uncertainty that inevitably accompany many events and determine the circumstances should be taken into account in determining the best estimated reserve estimate
Accounting for future events	When assessing the amount of the reserve, future events are taken into account, including changes in legislation, when there is objective evidence that they will occur, and which may affect the amount of costs necessary to fulfill the current obligation.	Future events that may affect the amount necessary to settle the obligation should be taken into account when determining the amount of the reserve if there is sufficiently objective evidence that they will occur.
Expected asset retirement	The return on the expected asset retirement associated with an event that generates a provision is not taken into account when estimating the amount of the provision	Revenues from the expected disposal of assets should not be taken into account when assessing the provision
Refunds	When assessing the amount of the reserve, no consideration is given to reimbursements to be received from the other party. Reimbursement data are recognized as a	If it is expected that the costs, or part thereof, required to settle the provision will be reimbursed by the other party, the refund should be recognized if and only if it is virtually certain that

Category	Belarusian Accounting Rules	IFRS Rules
	separate asset or income in the reporting period in which it will be received.	the reimbursement will be received if the entity repays its obligation. Reimbursement should be accounted for as a separate asset. The amount recognized in respect of such compensation shall not exceed the amount of the corresponding reserve.
Use of reserves	The reserve is used only to fulfill the obligations for which it was originally created	The reserve should be used only to cover the costs for which this provision was initially recognized.

Summing up, according to the table above, we can say that there are reserves in the Republic of Belarus, and their regulation is carried out, but there are not so many kinds of reserves used in our country.

Consider examples of reserves used in other countries (Table 3).

Table 3. Examples of reserves in other countries

A country	Type of reserve		
England	Reserves for future liabilities	Reserve for current year commitments	Provision for deferred taxes (partial)
France	Equity reserve	Revaluation reserve	Contractual reserves
Germany	Capital Reserves	Reserves for expected price increases	Reserves for equalization of costs (repair funds)

Summarizing, it can be said that the reserve is an obligation that has no certainty about the execution time, and has no certainty in the amount

Based on the results of the study, it can be concluded that the accounting of reserves in the Republic of Belarus is similar to IFRS. In the Republic of Belarus, according to legislation, there are reserves, such as reserves for cost reduction, provisions for doubtful debts, insurance reserves, but their application in practice is not often met and their regulation is not fully implemented. In international practice, there are many other reserves that are successfully applied, such reserves can include a reserve for environmental costs, a reserve of equity.

In today's market economy, there are many nuances for creating and using reserves, and there are many contradictions between different types of legislation. Therefore, the accountant should be well-versed in the whole system of economic activity of the enterprise and monitor all changes occurring both in the sphere of accounting and in other spheres.

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