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History of Emergence and Development of the Russian Accounting for Small Enterprises

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In this article the authors considered occurrence and development history of the Russian accounting in small enterprises. Peculiarities of historical development of the enterprises and their inseparable connection with the history of Russia were taken into account. Moreover, the authors sorted out the stages and the corresponding development periods of accounting for small enterprises. The authors offered the ways to improve accounting for small enterprises in Russia during the periods of IFRS-oriented accountancy.

Keywords: history, accounting, small enterprises, accountancy.

The leading role in information support of small enterprises belongs to accounting, that being the control system of any business entity. It provides necessary information about the financial and economic activities.

Quantitative and qualitative growth of small business as a separate sector of the market economy and its particular socio-economic importance in the modern society lead to the urgent need for a more flexible reflection of business operations at the accounts that can be achieved by strengthening the role of professional accounting judgments based on understanding the role, according to the authors, content and development prospects of accounting in Russia in inseparable connection with its historical development.

In this regard, the history of emergence and development of accounting for small enterprises

is particularly relevant. It should be noted that this issue is little explored in scientific and educational literature.

T.I. Kopylova defines the following stages in the development of accounting in small enterprises that are consistent with the historical stages of development:

- 1) Pre-Revolutionary (1689-1917);
- 2) Soviet (1917-1987);
- 3) Renaissance (1988-1990);
- 4) Formation and Development (1991-1995-1998 years);
- 5) Transition (1999-2002);
- 6) Ascension (2003) (Kopylova, 2002, p. 12.).

V.A. Vartavanyan examines the evolution of accounting in small enterprises from a position of periodization of the stages proposed by Okolov (Vartavanyan, 2001, pp. 56-69). A.A. Karasaeva

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follows a similar approach (Karasaeva, 2005, pp. 10-16).

Taking into consideration the peculiarities of historical epochs the authors distinguish two stages in the evolution of accounting in small enterprises coinciding with the history of their formation in inseparable connection with the history of Russia:

- 1) Historical (9th – beginning of the 20th century.);
- 2) Modern (since 1977).

The historical stage of accounting development in small enterprises of Russia is based on the evolution of the entire accounting thought, starting with the period of the origin of business relations in Russia. In this case, the birth of “special” accounting for small enterprises in Russia is related to the 19th century. This is due to the Bankrupt charter in 1800 and the Act on the procedure of merchants trading books by July 14, 1834, which contained the first officially regulated features of accounting depending on the size of the enterprise. The law on the procedure of merchants keeping trade books, regardless of whether they were carrying out commercial operations independently or collectively (in partnership), imposed the duty of keeping trade books. The number of books depended on the kind of trade and constituted a trade secret. The division of trading companies into three categories was provided: wholesale, retail and peddling. The order and form of accounting were established respectively. The first category, wholesale trade, included bankers, wholesale merchants and everybody engaged in overseas trade and commission business; the second category, retail trade, included retailers; the third included craftsmen, tradesmen, artisans and peddling traders. Thus, small enterprises of the 19th century in their modern understanding were retail and peddling trade enterprises, as well as costermongers, peddlers, small traders, hawkers.

The law on the procedure of merchants keeping trade books for trade enterprises of the third category involved maintenance of a simple (unigraphic) accounting and a minimum number of account books: a) a stock book where the goods received were recorded, and b) a cash book where daily cash receipts were recorded, and c) a settlement book to refer debts and accounts, who owes money to whom. For retail traders a document book for recording details of bills, credit letters, receipts, stocks, contracts and other documents was required besides these three. For wholesale trade the following additional books were provided: a) a memorial – a book for daily recording of affairs; b) a general ledger to open separate accounts for all trade turnovers and capable, if properly managed, to provide a clear picture of the state of affairs; c) a book of copies of all commercial outgoing mails (and telegrams); d) a book of accounts for recording the accounts sent for the goods sold, and e) an invoice book to record invoices for the goods shipped (Shershenevich, 2000, p. 82). The Law on the procedure of merchants keeping trade books had different requirements regarding the same books, depending on the type of the trade. Thus, the cash book from wholesale merchants must contain a detailed record of each act of receiving money, and for retailers and peddlers the intake could be indicated by the result.

It should be noted that the Law on the procedure of merchants keeping trade books has made drastic changes in legal trends in accounting development. It was for the first time when the statement was articulated that the law should not prescribe certain postulates, but teach how to talk, act and take appropriate decisions. Furthermore, it was the Law on the procedure of merchants keeping trade books where the mandatory for all unification of primary documents was regulated for the first time.

The latter Charter of trade of 1887 establishes a similar three-category gradation of trading enterprises and regulates accounting rules. A famous Russian civil lawyer, P.P. Tsytovich, in the “Sketch of the basic concepts of commercial law” said: “The Charter of trade ... has given a whole manual of mandatory accounting and trade different, however, in size. Accounting is mandatory for all, therefore the banker should keep stock and invoice books, though he does not have any goods, does not receive and send any invoices” (Tsytovich, 2001, p. 107).

Further progress in the development of the idea of retail and peddle trade (analogues of modern small businesses) was prevented by the historical events that took place, resulting in the corresponding metamorphosis. The decline that characterized the state of accounting at the turn of the 10's and 20's of the 20th century was affected by two factors. Firstly, it was the theoretical setup of ultrarevolutionaries that came to power – the party of Bolsheviks, or Communists, headed by V.I. Lenin. They were looking for maximum simplification of the economy and transforming it into a “socialist”. Secondly, it was a general decline in economic life, which entailed the accounting decline (Alexeev, 2006, pp. 92-93).

The nationalization began after the Bolsheviks came to power, which took the form of expropriation of enterprises being privately owned. Business owners in the best case became their directors or accountants, but more often they were expelled or even arrested (Alexeev, 2006, p. 93).

However, despite this, on July 13, 1918, the Central Executive Committee of RSFSR issued “Basic provisions on property accounting”, where an attempt was made to transfer from the estimated accounting to the double one in the state economy. On July 27, 1918, the Council of Peoples’ Commissars of RSFSR adopted a resolution on trade books. Keeping of these

books was required for private commercial and business enterprises, among which, according to the authors, there were small enterprises in their modern understanding. Thus, every enterprise should have been bookkeeping in accordance with the standard pattern established by the state. An extremely simplified General Ledger was declared as the basis of accounting. It instructed to take all transactions only into three accounts – real estate, materials and equipment, thus leaving no opportunity for monetary assets accounting. However, elimination of money the Communists were dreaming about did not take place: assessment of the property applied to the inventory prior to the standard General Ledger was assumed to be measured in money (Alexeev, 2006, pp. 93-94).

The stratum of entrepreneurs was almost eliminated by 1920. All companies with more than 5 people working with mechanical engines and over 10 working without mechanical engines were nationalized in accordance with the decision of the Supreme Economic Council dated November 29, 1920 (Vartavanyan, 2001, p. 66).

However, in 1921 everything changed, since “the Soviet government scared of the economy breakdown decided to revert to the traditional economy. Return to the old was given an illogical name of New Economic Policy (NEP). Only with it the good old accounting returned to Russia” (Alekseev, 2006, p. 95). And in 1922 the Supreme Economic Council issued the Statement on accounting and reporting, which highlighted the need for accounting in the dual system, registration of economic activity through chronological and systematic recording, keeping of the General Ledger, etc. (Lupikova, 2006, p. 177).

With the introduction of the NEP there was an attempt to resuscitate free entrepreneurship in the country, all the more that continuity of generations and the spirit of entrepreneurship were not lost. Thus, a mixed economy of mainly

private agricultural sector and private trade and services was created.

But a sharp turn toward socialism begins in the country by early 1930's. Complete collectivization was held, entrepreneurs were eliminated as a class. Small business was completely forced out of all sectors of the economy and was considered as a criminally liable offence. Accounting and reporting of a socialist society were reduced to three major accounting problems: cost accounting (khozraschyot), centralization and mechanization.

Thus, small business as a legitimate government category was absent in Russia for a long period of time until the early 80's of the 20th century. Herewith, the need in accounting at small enterprises has disappeared.

In Russia the establishment of small business in its modern understanding is related to the Constitution of the USSR of 1977, which reaffirmed the right of the citizens to carry out work based on personal work of individuals and their families in the area of handicraft, agriculture and consumer services.

According to the authors, the current stage of development of accounting in small companies includes three stages:

- 1) Traditional accounting – 1977-1995;
- 2) Simplified accounting – 1996-2006;
- 3) IFRS-based accounting – since 2007.

During the period of traditional accounting of small enterprises, when the first small enterprises were born in a legislative vacuum, most of them organized the accounting process in accordance with common methodological principles and rules established by the Regulations on Accounting and Reporting in the USSR, and later in the Russian Federation, the provisions on accounting, which regulated accounting treatment of various objects of Accounting and Chart of Accounts for the financial and economic activities of enterprises.

It is noteworthy that the accounting system of small enterprises until the early 90's of the 20th century was developed not only in the absence of the legislative base in the field of regulating small businesses, but also in the absence of practical experience in accounting in this sector of the Russian economy.

The first attempt to develop accounting rules depending on the size of the company at the present stage is the letter No. 181 of the Ministry of Finance of the USSR "About the instructions on accounting and application of accounting records at cooperatives operating in the sphere of production and services" dated December 14, 1988. The letter contains instructions on accounting and applying accounting records at cooperatives that operate in the field of production and services.

The letter No. 40 of the Ministry of Finance of the USSR "About recommendations on accounting and application of accounting records at small enterprises" dated July 2, 1991, containing recommendations on accounting and application of accounting records in small enterprises has become an important event in the development of accounting for small enterprises.

We can conclude that the first period of the history of accounting at the present stage of its development (1977-1995) determines the necessity to use accounting systems for small enterprises and indicates the direction of its development.

The next significant event that has predetermined the second stage of accounting development in small enterprises (1996-2006) is the Order No. 131 of the Ministry of Finance of Russia "About the guidance on accounting and reporting and application of accounting registers for small enterprises" dated December 22, 1995, providing the basis for the methodology of accounting for small businesses starting from January 1, 1996. This order was meant for all small businesses regardless of the object

and purpose, organizational and legal forms of ownership, and contained a working chart of accounts, which allowed to navigate in the method of its preparation and application, as well as two systems of accounting registers, which contributed to correct registration and compilation of information on completed transactions and preparation of accounting and tax reporting.

According to the authors, the Federal Law No. 222-ФЗ “About the simplified system of taxation, accounting and reporting for small businesses” dated December 29, 1995, which came into force on January 1996, is of great importance in identification of the second stage in the development of accounting in small enterprises. This Law introduced fundamental changes in the accounting records of small businesses that met the parameters regulated by law. They were granted the right to transfer to a simplified system of taxation and accounting with the abolition of the payment of all the established federal, state and local taxes and payment of only a single tax calculated upon the results of economic activity. Companies that adopted the above system used the book of income and expenditure accounting as the Register of accounting to record the facts of economic life for income and expenditure. The form and the order of keeping records were approved by the Order No. 18 of the Ministry of Finance of Russia “About the form of the book of income and expenditure accounting and the procedure of reflecting the business transactions of small enterprises that use a simplified system of taxation, accounting and reporting” dated February 22, 1996.

The next step in the development of accounting for small businesses is the Order No. 64н of the Russian Ministry of Finance “About the standard recommendations on organization of accounting for small businesses” dated December 21, 1998 (hereinafter – Standard recommendations) designed for all small

businesses being legal entities under the laws of the Russian Federation, irrespective of the subject and purpose, organizational and legal forms of ownership (excluding credit organizations). As for individuals engaged in entrepreneurial activities without forming a legal entity and classified as small businesses, it is necessary to take into account the standards of the Federal Law No. 129-ФЗ “About Accounting” dated November 21, 1996, under which they keep records of income and expenditure in the manner prescribed by the tax legislation of the Russian Federation.

Further development of accounting for small enterprises in Russia was predetermined by the “Guidelines for development of the Russian accounting system” elaborated by the Russian Ministry of Finance within the framework of the Programme of socio-economic development of the Russian Federation for the period 2001-2005.

The peculiarity of this document is that setting of the targets for further reforming of accounting was determined by the specificity of various types of enterprises, among which small businesses that should have the right for simplified accounting and simplified reporting were identified separately. The simplified system of accounting and reporting for small businesses should be organized in such a way that the cost of data transformation of financial reporting in this format for tax purposes is minimized. In addition, such a simplified system should provide the fullest possible satisfaction of the management in accounting.

The main objectives of the reform in accounting for small enterprises included: development of a system of accounting and financial reporting for small business, which meets the requirements of tax legislation in terms of calculating the tax base and filing a tax return; as well as taking into consideration the needs of small business management in accounting and internal company reporting (monitoring costs,

etc.) at development of the simplified system of accounting and financial reporting.

Thus, we can say that the second period in the history of accounting for small business is the period of formation of the accounting system of the modern Russian small business.

In the authors' opinion, the third period is the most important one in the evolution of accounting at the present stage of development of small business (starting from 2007).

The Federal law No. 209-ФЗ "About the development of small and medium business in the Russian Federation" dated July 24, 2007 (hereinafter – Federal law No. 209-ФЗ) is the starting point for further development and improvement of the accounting system for small enterprises, since among other measures it considers the simplified system of accounting for small enterprises engaged in certain activities. This is particularly important while the documents that have ever been specially published for small business are not updated and adapted to modern conditions.

The authors believe that this is the first step of the state to develop rational accounting rules for small enterprises, the need for which is long overdue. Since currently the only one formally valid and not mandatory for application document (not a regulatory document, because not registered in the Russian Ministry of Justice) reflecting the specificity of accounting for small business is the Standard recommendations. It should be noted that these Standard recommendations in current conditions are not applicable in practice in many aspects because they contravene to the current legislation in many respects.

Some experts are of the opinion that the Standard recommendations in current economic conditions have no practical value, since they recommend the form of accounting of the 50's of the last century and, correspondingly, are not applied (Bachurinskaya, 2010, p. 6).

According to the authors, the situation is quite controversial, as it is now small enterprises in their financial and economic activity that can use both traditional and simplified forms of accounting, respectively, based on the principles of double (doublegraphic) and simple (unigrafic) records. In this case, the Federal law No. 209-ФЗ provides for simplification of the system of accounting for small enterprises. Consequently, we can conclude that the Standard recommendations have been developed in the only one possible version that adequately meets the current legislation, but on the other hand, do not fully realize the simplification of the accounting process. For example, the Standard recommendations recommend that small enterprises engaged in material production should keep accounting records in the general ledger from of accounting; those engaged in trade and other agency work should use the simplified form of accounting and, if necessary, use separate registers from the general ledger form for accounting of certain values. Thus, the form of keeping accounting records by small enterprises may be combined, which does not associate with the simplification of accounting procedures.

At present we can confidently assert that the Russian legal framework does not adequately disclose the issues of organization and keeping of accounting records in small enterprises. Most regulations focus on the formulation of accounting in organizations that are not small businesses.

However, the authors suppose that in the near future the situation will change radically, as on July 9, 2009, the IFRS Council released the International standard designed specifically for the use by small and medium enterprises. This is the most important document that has been prepared by the reformed IFRS Council during all nine years of its existence, not only in volume (the official standard version has 230

pages of text), but also by the number of potential recipients (for over 95% of all companies in the world refer to small and medium enterprises). The Standard stands apart from all other IFRS standards. It has no serial number and is not considered as a part of a complete set of IFRS. Its official name is the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) (Sukharev, 2009, p. 14). Because small enterprises cannot stay away from the Reformation process of accounting system of the Russian Federation, which has IFRS as the main guidelines, the introduction of IFRS at small enterprises in Russia will serve as the impetus for the development of accounting for small enterprises.

Thus, having studied the history of formation and development of the Russian accounting for small enterprises in detail, it can be concluded that the use of accounting at small enterprises in its modern understanding has been started relatively recently. In this regard, accounting at some small enterprises is often modified in practice, its formats are changed, company's own adjustments to the already established system of accounting are made.

According to the authors, given the historical experience of accounting at small enterprises, methods of accounting for small enterprises should be elaborated and a number of outdated regulations should be altered. It is worth remembering that the accounting system for small enterprises should comply with the modern trends of small business development in the innovation economy of Russia. Therefore, it is necessary to continuously develop the methods of forming accounting and analytical information and accounting procedures, improve legal regulations, etc.

The authors propose the following directions for improvement of accounting for small enterprises in Russia.

Firstly, it is the change in the Russian legislation regulating financial and economic activities of small enterprises, as well as development of a modern framework of legal regulation of accounting at small enterprises.

Legislative documents regulating the activities and accounting at some small enterprises are needed. It is important to update the existing legislative framework with regard to the fact that there are various financial schemes with participation of small enterprises that require clear legislative regulations. It is advisable to create a list of legal documents that relate directly to regulation of accounting in small enterprises.

Secondly, it is the change in the methods of accounting at small businesses.

Due to the fact that in the modern Russian economy small business is developing quite rapidly, correct accounting system is required that would allow to use standardized approaches. It is necessary to develop methods of accounting for small enterprises with consideration of accounting methods for specific small enterprises, such as farms. It is also necessary to develop methods of arranging a complete accounting process for individual entrepreneurs that keep records of income and expenditure in accordance with the laws of the Russian Federation in the manner prescribed by the tax legislation of the Russian Federation. As a result, we can conclude that there is the need to develop an integrated accounting system for small enterprises with a description of specific methods of organization and keeping accounting records.

Thirdly, it is the reform of the accounting system of small enterprises in accordance with IFRS.

Since reforming of the Russian accounting in accordance with IFRS requires adjustment of the current legal documents with simultaneous convergence of their statements with the requirements of IFRS, the introduction of IFRS

for small business in Russia can contribute to the issues of accounting in this sector of the updating of the entire legal framework regulating economy.

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История возникновения и развития российского бухгалтерского учета на малых предприятиях

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Рассмотрена история возникновения и развития российского бухгалтерского учета на малых предприятиях с учетом особенностей их исторического развития и в неразрывной связи с историей России. Выделены этапы и соответствующие им периоды развития бухгалтерского учета на малых предприятиях. Предложены направления совершенствования бухгалтерского учета на малых предприятиях в России в период МСФО-ориентированной отчетности.

Ключевые слова: история, бухгалтерский учет, малые предприятия, бухгалтерия.
