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**ECONOMIC NATURE OF
PUBLIC LEGAL ENTITIES,
ORGANIZATION OF
ACCOUNTING AND
FINANCIAL STATEMENTS**



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SUMMARY

The article discusses the issues of economic essence and organization of public legal entities, the rules for creating public legal entities and the mechanism for regulating their activities, theoretical issues of organizing accounting in public legal entities, accounting rules in public law entities, organization and rules for the presentation of financial statements in public law forms.

The accounting methodology of public legal entities has been studied and the rules of accounting in public legal entities have been studied.

Public law is a set of legal norms that regulate relations related to the provision of national or public interests, and a public legal entity on behalf of the state and municipality or created by a public legal entity, engaged in activities of national and (or) public importance, state or it is noted that it is an organization that is not a municipal body.

When publishing the annual financial statements and consolidated financial statements of public legal entities, it is indicated that the financial statements of their subsidiary public legal entities are not published.

In the end, the results obtained from the research are summarized.

Keywords: *public legal entity, consolidation, accounting methodology, financial reporting, legal norms.*

JEL code: *H83; M40; M41*

INTRODUCTION

The actuality of the subject. Since public legal entities are newly introduced in the Republic of Azerbaijan, there is a need for extensive research on this institution in the country. In general, the institution of public legal entities is younger than other institutions of law. While the history of other concepts of civil law dates back to BC, the institution of public legal entity arose in the framework of administrative state-building in Europe around the 19-th century. I believe that there is still a lot of work to be done in this area. So, in addition to improving the legislation in this field, there is a need to write scientific articles, conduct extensive research, conduct theoretical information about public (general) law in relevant higher education institutions, including scientific research.

All economic subjects who seek profit or want to carry out their activities efficiently must first of all keep the accounting of their enterprise correctly. As a result of the activity of public legal entities, profit and expenses and their accounting are always in the center of attention. Because all decisions of public legal entities are made mainly according to the current situation of enterprises and financial markets. In making these decisions, one of the main documents is perfectly prepared and kept records.

From this point of view, the subject of the research is relevant in the conditions of market relations. For this purpose, in the research, an effort was made to study the accounting methodology of public legal entities. In parallel with this, a logical systematization of important financial issues that should be taken into account during accounting in public legal entities was carried out.

The purpose of the research. The main purpose of the research work is to study the accounting methodology of public legal entities.

Research method. Methods such as abstract-logical, generalization, economic analysis, and



comparison were used in the research work.

PROBLEM ANALYSIS

We observed that the newly adopted Law "On Public Legal Entities" differs from public legal entities created in the framework of administrative state-building in the West in its unique aspects. Thus, there is no separate law on public legal entities either in Germany or in France. Because there is no ambiguity in the theory about what purpose and why they were built. For this reason, a public legal entity is established by law and necessary regulations are included in that normative-legal act. Since there is no extensive information about public legal entities in Georgia, Ukraine, Russia, and our country, and the regulatory acts that are the legal basis for their creation contain conflicting and confusing regulations, it was necessary to adopt a general law that would apply to all of them. All this necessitates a deeper investigation of this institution.

Thus, it is necessary to study foreign experience, investigate the level of application of the Law "On Public Legal Entities", conduct a comparative analysis of it, determine whether the goals of the law have been achieved in practice, and reveal the current misapplications and loopholes. At the same time, the lack of research in this field has led to a limited list of literature.

According to continental European law, the law that regulates relations between private individuals is called private law, and the law that regulates relations that arise in the process of exercising public (state) power by state bodies is called public law (2, p.16).

Special law regulates relations between individuals based on the principle of independence (special autonomy) and equal rights. Unlike private law relations, public law relations are not based on equal rights of participants. It is also a relationship of authority and submission.

This distinction is not precise. For example, the Law "On Public Legal Entities" defined public law as a set of legal norms that regulate relations related to the provision of public or public interests. The primary and compelling point of this distinction is public interest. "Public interest" is the definitive and ultimate goal of a democratic, legal state. Public services aimed at satisfying public needs are divided into administrative, economic, social, scientific-technical and cultural types of services. All of them are characterized by principles such as sustainability and stability, variability, quality, objectivity and equality, non-profit. Sometimes two equal-level state institutions work on the level of common law when regulating any issue among themselves, but there is no subordination relationship between them. In a family, a relationship of subordination arises between parent and child in a certain sense, but this relationship is a special right.

For the first time in Azerbaijan, the expression of general (public) law was introduced into the legal system by the Law of the Republic of Azerbaijan "On Administrative Proceedings" dated 2005. It should be noted that the expressions "public" and "public law" have no general connection with the public and society. Summing up, we can say that these expressions are used to group together areas of law that do not belong to special law.

The institution of a legal entity arose in connection with the development of society, and it provides an opportunity for groups of people, investment funds to become a legal entity and acquire the ability to act.

According to the Civil Code, a legal entity is a state-registered, specially created entity that owns separate property and is responsible for its obligations with this property. He has the right to acquire and exercise property and personal non-property rights on his own behalf, to hold positions, to be a plaintiff or a defendant in court.

Every "public organization" that has rights, can bear obligations and performs a state function is a legal entity under public law. Otherwise, these organizations cannot create direct legal relations and participate in court on their own behalf.

In Europe, legal entities under public law are generally recognized in 2 forms (2, p.16):

1. Geographical local governments (municipalities). They are also legal entities, but since they exercise the powers of government, they are also legal entities of public law.
2. For functional non-central (not subordinate to the government in the capital) administrative units. These institutions are removed from the "central hierarchy" and given



some independence. These are institutions created in the professional, technical, cultural and social fields, which should be kept away from politics. Other reasons for their creation include cases such as purely technical direction, inadequacy of subordination to the center, and the spread of democratic governance.

As we know, the shares of many joint-stock companies in the Republic of Azerbaijan ("Azerenergy" OJSC, "Azerishiq" OJSC, "Azersu" OJSC, "Azerbaijan Demir Yollari" JSC) are wholly owned by the state, and they operate as natural monopoly subjects in various fields. Thus, according to Article 5 of the Law of the Republic of Azerbaijan "On Natural Monopolies", 12 types of services are included in the field of activity of natural monopolies. Two means of ensuring socially acceptable behavior of natural monopolies are possible: state ownership and state regulation. According to Article 6 of that law, the activity of natural monopoly subjects is regulated by the state. The subject of natural monopoly, first of all, acts as a body that exercises the sovereign powers of the state. As it can be seen, sometimes the state engages in entrepreneurial activity and for this purpose uses the organizational-legal form of legal entities of special law, in order to distinguish the concept of public purpose from entrepreneurial activity in the law, it is necessary to differentiate these concepts. But this is not easy either, because there is an opinion that as the entrepreneurial activity of the state increases, the general concept of the legal entity of public law loses its importance. In this regard, it is impossible not to apply the Law "On Public Legal Entities" to all state enterprises. In fact, the above-mentioned once again shows that there is a public element in all institutions created by the state.

Registration of public legal entities is very important in terms of determining its legal status and confirming its legal capacity. Thus, the determination of the legal person is important for the other side of the legal relationship.

According to Article 4.4 of the Law of the Republic of Azerbaijan "On Public Legal Entities", a public legal entity acquires the status of a legal entity after being state registered by the relevant executive authority in the manner established by the Law of the Republic of Azerbaijan "On State Registration and State Register of Legal Entities". According to Article 5.1 of the Law, a public legal entity has civil rights and civil duties from the moment of its state registration, and the legal capacity of a public legal entity is terminated when its liquidation is completed.

As it can be seen, public legal entities start their activity after state registration. According to some scholars, "state registration serves to legalize the status of a legal entity, it is a law-determining fact, and it reflects the state's regulation of the procedure for establishing a legal entity" (6, p.52).

A public legal entity is created by the relevant executive authority on behalf of the state, and by relevant municipal authorities on behalf of the municipality. Public legal entities can also be created by public legal entities if provided for in their charter. Other issues related to the creation of a public legal entity are regulated by the Civil Code. A public legal entity may create or participate in economic societies if provided for in its charter. The profit of a public legal entity can be transferred to the state budget and the local budget, respectively, for purposes not provided for in its charter, only by the decision of the founder (10).

Public law is a set of legal norms that regulate relations related to the provision of public or public interests.

A public legal entity is an organization that is not a state or municipal body, engaged in activities of national and (or) public importance, created on behalf of the state and municipality or by a public legal entity.

The state register of legal entities is maintained by the relevant executive authority of the Republic of Azerbaijan. The state register of legal entities is conducted on the basis of a uniform form, method and principles. The state register of legal entities is the information resource of the Republic of Azerbaijan, and the rules for its protection and use are determined and ensured by the relevant executive authority of the Republic of Azerbaijan.

Public legal entities prepare financial statements in accordance with the International Standards of Financial Reporting and conduct accounting in accordance with the accounting



rules established by Article 8.1-1 of the Law on Accounting 716-IIQ (9).

Any public legal entity that has one or more subsidiary public legal entities and (or) business entities must prepare combined (consolidated) financial statements in addition to its prepared financial statements.

The reporting period for financial statements of public legal entities is determined in accordance with the periods provided for in Article 11 of the Law of the Republic of Azerbaijan "On Accounting" (8).

Public legal entities submit their annual financial statements and consolidated financial statements to the superior organization they are subordinate to or to the public legal entity that prepares consolidated financial statements, as well as to the persons determined by law and their articles of association, and in their absence to the founder.

Public legal entities established by the relevant executive authority submit annual financial statements and consolidated financial statements to the founder along with an auditor's opinion.

Public legal entities that receive a loan with a state guarantee or participate in projects related to the expenditure of the state debt, as well as receive subsidies, grants or funds from the state budget in connection with the fulfillment of certain powers (Article 12-1.2 of the Law of the Republic of Azerbaijan "On Accounting" with the exception of those specified in Article c) submit annual financial statements and combined (consolidated) financial statements together with the auditor's opinion to the relevant executive authority.

Public legal entities that compile consolidated financial statements, as well as public legal entities whose articles of association provide for the publication of financial statements and are mentioned in Articles 12-1.7 and 12-1.8 of the Law of the Republic of Azerbaijan "On Accounting" (Article 12-1.2 with the exception of those specified in Article 1) publish their annual financial statements and combined (consolidated) financial statements together with the auditor's opinion on their official websites or in the press.

When public legal entities publish annual financial statements and consolidated financial statements, their subsidiary public legal entities do not publish financial statements.

The accounting policy of the organization is approved by the order of the head of the organization and enters into legal force. In this regard, all the points of view mentioned above should be included in it by being justified by relevant normative documents. The listed lists are given as examples and they can be increased or decreased depending on the direction of economic activity and the level of enterprises and organizations.

In recent years, considerable changes have taken place in accounting and tax accounting in Azerbaijan. Therefore, when preparing the organization's accounting policy, the Law of the Republic of Azerbaijan "On Accounting", other laws, decrees and orders of the President of the Republic of Azerbaijan, decisions of the Cabinet of Ministers of the Republic of Azerbaijan, statutes, orders, instructions, letters and other normative documents of the Ministry of Finance should be taken as a basis and referred to.

The accounting system of subjects of public legal entities is based on economic transactions that change the size and structure of the company's assets, capital and liabilities. Accounting management is regulated in detail by national and international accounting standards, as well as other normative acts. Normative acts are general in nature and provide a number of options for managing the accounting of a company or any other entity. In addition, the accounting policy of the department or organization allows you to customize the accounting rules and adapt them to the needs of a specific company. The concept of accounting policy is interpreted in different sources and defined in the same way. In the international standards of financial statements, the accounting policy is presented as specific principles, bases, generally accepted conditions, rules and practical approaches applied by the organization in the preparation and presentation of financial statements. Such a definition is also provided by accounting standards, such as the principles, methods and rules of accounting and preparation of financial statements of an economic entity. According to various sources, accounting policies can be expressed in the following forms (Chartered Institute of Public Finance and Accountancy (CIPFA) and the



International Federation of Accountants, This International Framework: Good Governance in the Public Sector, 2014, 35)

The most complicated part of the accounting policy is the methodological aspect. Correctly designed accounting methodology is the main tool to avoid various errors in reports. The methodological aspect includes the determination of general principles of accounting, the selection of principles and methods of asset management, capital, liabilities, income and expenses of the company. It is important to note that the company's accounting is based on general accounting principles that form the basis of accounting rules in all other areas. Based on the created structure, the accounting policy is formed in the third stage of development, which describes the basic principles and rules of accounting and reporting. At this stage, it is especially important to emphasize the result of the accounting policy. In general, the accounting policy should ensure proper accounting and reporting. However, companies can display this result in detail by showing specific elements such as financial, tax, statistics and internal reporting. Meeting the needs of external and internal users can also be identified as a separate element of the desired outcome. This is only because a properly designed report allows users to analyze it.

CONCLUSION

Thus, managers of enterprises and organizations of most public legal entities, realizing the importance and necessity of accounting policies for accounting and reporting, take the initiative to create them in the subject. It highlights and describes the sequence of development of accounting policies and the main elements of these stages. The implementation of the model of the recommended creation process will create the basis for a high-quality accounting policy and guarantee its more effective application.

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PUBLİK HÜQUQİ ŞƏXSLƏRİN İQTİSADİ MAHIYYƏTİ, MÜHASİBAT UÇOTU VƏ MALİYYƏ HESABATLARININ TƏŞKİLİ

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XÜLASƏ

Məqalədə publik-hüquqi şəxslərin iqtisadi mahiyyəti və təşkili məsələləri, publik-hüquqi şəxslərin yaradılması qaydaları və fəaliyyətinin tənzimləməsi mexanizmi, publik-hüquqi şəxslərdə mühasibat uçotunun təşkilinin nəzəri məsələləri, publik-hüquqi şəxslərdə mühasibat uçotunun aparılması qaydaları, publik-hüquqi şəxslərdə maliyyə hesabatlarının təşkili və təqdim olunması qaydaları haqqında söz açılıb.

Publik hüquqi şəxslərin uçot metodikası tədqiq edilmiş və publik-hüquqi şəxslərdə mühasibat uçotunun aparılması qaydaları öyrənilmişdir.

Publik hüququn ümumdövlət və ya ictimai maraqların təmin edilməsi ilə bağlı olan münasibətləri tənzimləyən hüquq normalarının məcmusu olması və publik hüquqi şəxsin dövlət və bələdiyyə adından və ya publik hüquqi şəxs tərəfindən yaradılan, ümumdövlət və (və ya) ictimai əhəmiyyət daşıyan fəaliyyətlə məşğul olan, dövlət və ya bələdiyyə orqanı olmayan təşkilat olması qeyd edilmişdir. Publik hüquqi şəxslərin illik maliyyə hesabatlarını və birləşdirilmiş (konsolidasiya edilmiş) maliyyə hesabatlarını dərc etdikdə, onların törəmə publik hüquqi şəxslərin maliyyə hesabatlarının dərc edilmədiyi göstərilmişdir. Sonda tədqiqatdan alınan nəticələr ümumiləşdirilmişdir.

Açar sözlər: *publik hüquqi şəxs, konsolidasiya, uçot metodikası, maliyyə hesabatı, hüquq normaları.*

ЭКОНОМИЧЕСКАЯ ПРИРОДА ПУБЛИЧНЫХ ЮРИДИЧЕСКИХ ЛИЦ, ОРГАНИЗАЦИЯ БУХГАЛТЕРСКОГО УЧЕТА И ФИНАНСОВОЙ ОТЧЕТНОСТИ

Нигяр ИСМАЙЛОВА

РЕЗЮМЕ

В статье обсуждены вопросы экономической сущности и организации публично-правовых образований, правила создания публично-правовых образований и механизм регулирования их деятельности, теоретические вопросы организации бухгалтерского учета в публично-правовых образованиях, правила бухгалтерского учета в публично-правовых образованиях, организация и правила представления финансовой отчетности в публично-правовых формах.

Изучена методология бухгалтерского учета публичных юридических лиц и изучены правила ведения бухгалтерского учета в публичных юридических лицах.

Публичное право – это совокупность правовых норм, регулирующих отношения, связанные с обеспечением общегосударственных или общественных интересов, и публично-правовым образованием от имени государства и муниципального образования либо созданным публично-правовым образованием, осуществляющим деятельность национального и (или) общественной значимости, государственной или отмечается, что она является организацией, не являющейся муниципальным органом.

При публикации годовой финансовой отчетности и консолидированной финансовой отчетности публичных юридических лиц указывается, что финансовая отчетность их дочерних публичных юридических лиц не публикуется.

В конце подводятся итоги, полученные в ходе исследования.

Ключевые слова: *публичное юридическое лицо, консолидация, методология бухгалтерского учета, финансовая отчетность, правовые нормы.*

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