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ACCOUNTING ASPECTS OF REVENUES IN DOUBLE ENTRY ACCOUNTING OF SLOVAKIA AND COMPARISON WITH INTERNATIONAL ACCOUNTING STANDARDS*

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Abstract. Revenue is the basic information needed to calculate the profit or loss of an entity that accounts in the underlying accounting system. The aim of the presented article is to point out the definition of revenues according to international accounting standards and their comparison with revenues in the Slovak Republic. The article is based on the requirements of the European Union and takes into account 2 assumptions: the accrual basis and the revenues according to IAS (for business entities) and IPSAS (for public administration entities). We used the method of comparison and the method of analysis. The article also contains the results of the control activities of the Financial Administration of the Slovak Republic, as revenues are the basic attribute for calculating the corporate income tax base. This is the initial phase of general analysis, in which we will continue with more detailed intentions in other published articles.

Keywords: revenues according to the legislation of the Slovak Republic; revenues according to IAS and IPSAS; register of financial statements, auditors of the Financial Administration of the Slovak Republic

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1. Introduction

The concept of revenue is a basic concept in double-entry bookkeeping. (Drury, 2017). It is an important concept because, when comparing revenue from costs, entities quantify the profit or loss in a double-entry bookkeeping system.

Due to the correct quantification of the economic result, accounting units in the Slovak Republic are obliged to apply the accrual principle, which means that they account for income and expenses in the period to which they are temporally and materially related. This obligation has been introduced into accounting procedures through accounts that are in the account group 38 - Accruals also affect the application of costs in accounting units. The basic idea of the definition of income is stated in the international accounting standards, from which they were implemented into the legislation of the Slovak Republic. The definition of revenues is uniform for public administration entities as well as for business entities, but the division of revenues is different. Revenues also have an impact on the correct determination of the corporate income tax base, therefore this article also contains the results of the control activities of the Financial Administration of the Slovak Republic.

2. Literature review

Revenues represent an economic increase in the value of assets and are also a basic element in calculating the entity's profit or loss. This viewpoint is also defined in international accounting standards as well as in the valid legislation in Slovakia. The methodology of revenue recognition is similar in the accounting of entrepreneurial accounting units as well as public administration entities. The difference is that public administration entities have a different method of financing than business units and therefore have other accounts included in the chart of accounts. Following authors are focused on these issues: Farkaš, 2020; Tumpach, 2006; Krištofik 2009; Camfferman, 2020; Saxunová, et al. 2009; Hajnal, 2021; Silva, et al 2021; Kainth, 2021; Stewart, 2021; Hillebrandt et al. 2021; Natalizi, 2020; Frintrup, 2020, Lombardi, et al. 2020; Nurunnabi, 2020.

International Accounting Standards for Entrepreneurs IAS/IFRS and International Accounting Standards for Public Administration IPSAS define revenues similarly, but the breakdown of revenues is different. The difference is that public administration entities are specific due to the fact that they are financed through the state budget. These viewpoints are defined by the authors in the publications: Pavic, I. 2020; Sacer, et al. 2020; Kršeková, 2011; Mládek, 2005; Sidak et. al., 2020)

Reporting deferred tax liability is important information (for both the entity, and the public authorities) that should be presented in the financial statements of companies (Jensen, 1986; Tancosova, 2014; Lee et al. 2015). The basic structure of financial statements is defined in International Accounting Standards. The authors state, that incorrect presentation of deferred tax liability can be caused by different application of basic accounting principles (Lu, et al. 2014; Tvaronavičienė, 2018; Bernstein, Wild, 1999; Kajanová, 2014a, 2014b; Savina, et al. 2021; Miah, 2021; Polzer, 2021).

3. Revenues according to the legislation of IAS and IPSAS

The basic legal framework for the European Union's accounting is international accounting standards. (Fabus 2015). After the accession of the Slovak Republic to the European Union, it was necessary to harmonize indicators for the evaluation of individual areas of state functioning, this also applies to indicators that express the outputs of the processes of companies and various institutions. And these outputs are represented by double-entry bookkeeping, which we deal with in this article.

International Accounting Standards mean the unification of financial accounting and reporting. This was necessitated by the need to compare and evaluate entities in individual EU countries. The main goal in the countries of the European Union is the effort to unify the accounting of the state and public sector on an accrual basis, while the European Commission recommends the use of International Accounting Standards for entrepreneurs as well as for the public sector.

The International Federation of Accountants (IFAC) plays an important role in relation to international accounting standards. Founded in 1977, the company currently consists of 172 members and partners in 129 countries, representing approximately 2.5 million accountants from practice, education, civil service, industry and commerce. This federation contributes to the development, adoption and implementation of high quality international accounting standards. IFAC publishes manuals, standards and other publications and owns the copyrights. (Kršeková 2011).

FAC has established the International Accounting Standards Board.

At present, there are international accounting standards for:

- Public Sector Accounting Standards (IPSAS), and
 - Business entities International Accounting Standards IAS (International Accounting Standards) until 2002, from 1 January 2003 International Financial Reporting Standards - IFRS (International Financial Reporting Standards).
- Within the European Union, the Commission is working to modernize the management of EU funds. In December 2002, the Commission presented an action plan for the transition to the accrual principle. In practice, this means that a new accounting system called "Accrual Based Accounting" has been introduced since January 2005 and new accounting rules have entered into force.

3.1 Revenues according to the IPSAS

International Public Sector Accounting Standards IPSASs contain a set of 32 standards. IPSASs are aimed at improving the quality and transparency of the public sector financial accounting and reporting, as well as accounting methodologies. Countries such as Switzerland, Austria, the Netherlands, France have already fully or partially implemented this standard in their legislation.

IPSAS deals with revenues under Standard 9 - Revenues from barter transactions and 23 - Revenues from non-exchange transactions (taxes and transfers). Therefore, the issue of revenues is divided into two parts, because public administration entities obtain part of the revenues through transfers and the other part receive outside transfers.

IPSAS - 9 Revenue from Exchange Transactions is used to recognize revenue arising from the following exchange transactions and events: provision of services; sale of goods and products; use of the entity's assets by other parties from which interest, royalties and dividends arise. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and quantity rebates granted to the entity.

IPSAS 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers) addresses revenues generated by public sector entities that result from both exchange and non-exchange transactions, but nevertheless most revenue from governments and other public sector entities typically arises from non-exchange transactions, which are:

- 1. taxes
- 2. transfers, including: - debt forgiveness and commitment - fines and penalties - inheritance - gifts, including goods and products in kind services in kind

3.2 Revenues according to IAS

In the case of the International Accounting Standard for Entrepreneurs, IAS 18 Revenue defines income as follows: Revenue is the gross income on economic benefits that arise from the ordinary activities of an entity in a given period if that income results in an increase in equity other than an increase in deposits from persons with an interest involved. (Tumpach, 2006). Revenue includes only the gross income from economic benefits received or claimed by the entity for its own account. (Šuranová, Škoda 2007). Amounts collected on behalf of third parties, such as sales taxes, taxes on goods and services and value added taxes, are not economic benefits that flow to the unit and do not result in an increase in equity. Therefore, they are excluded from revenue. (IAS - 18 Revenue).

This Standard applies to the accounting for revenue arising from the following transactions and events:

1. sale of goods (goods produced by the enterprise for resale and goods acquired for resale)
2. provision of services (performance of a contractually agreed task by an entity during an agreed contract period)
3. the use of business assets by other parties (for example, interest, royalties, dividends).

Revenue in accordance with IAS 18 is measured at the fair value of the consideration received or receivable, including any related trade and quantity discounts.

Revenues are presented in the financial statements and the presentation of revenues respects the generally accepted principles for their reporting, which are:

1. Accrual principle - costs and revenues are accounted for and reported in the period to which they are temporally and materially related.
2. The precautionary principle - means the presentation of balance sheet and profit and loss account items without raising unduly optimistic expectations.
3. The principle of allocating costs to revenue - revenue is recognized at the time the goods are sold, delivered to the customer or services are rendered.

The above principles imply methods of recognizing revenue. Recognition of income is possible:

- a) at the time of sale (on the day of delivery of the product)
- b) before delivery of the product
- c) after delivery of the product (see Table 1)

Table 1. Revenue recognition alternatives

At the time of sale	Before delivery of the product	After delivery of the product	Special revenues
General rule	Before production	The collected cash	Franchising
Day of sale	(eg. Gift vouchers)	Installment sale	
Retail, service	During production	After covering all the costs	Consignment sale
	(eg. The tunnel construction)		
	At the end of production		
	(eg wheat)		

Source: Financial accounting and management with the application of IAS / IFRS (Křištofík, Šuranová, Saxunová, 2009).

Ad a) Revenue recognition at the time of sale (on the day of product delivery)

This method is based on the principle that the company sells goods or products, sends the object of sale to the customer and the customer pays in cash or on account, and the entity generates sales revenue or cash received or a right to revenue from that product equal to the face value sales (thus a receivable arises).

Ad b) Revenue recognition before product completion

The time of delivery of the product is the moment, which is considered to be the moment of recognition of income, at which doubts fall as to whether the object of sale will be sold and at what price. However, there are cases where it is adequate for revenue to be recognized before delivery of the product. Typical cases of this nature are long-term projects, such as construction contracts when there is a total according to which the seller (builder) can issue invoices to the buyer at intervals at different stages of the project. The buyer has the right to demand a certain amount of performance from the builder, which means that he has ownership rights to the builder's building under construction. The builder has the right to demand from the buyer periodic payments during construction.

Ad c) Revenue recognition after delivery

Revenues from sales when repayment of receivables is uncertain. Revenue is usually recognized when the receivable arises. If the collection of a receivable is uncertain, a provision is usually created for uncollectible receivables. (Křištofík, Šuranová, Saxunová, 2009).

4 Revenues according to the legislation of the Slovak Republic

Revenues from the point of view of accounting are defined in Act no. 431/2002 Coll. on accounting as amended. The rules for accounting for revenues in business entities are contained in the measure of the Ministry of Finance of the Slovak Republic no. 23 051 / 2002-92 laying down the details of the procedures and general chart of accounts for entrepreneurs accounting in the double-entry bookkeeping system. (Farkaš, 2020). For self-government entities, the measure of the Ministry of Finance of the Slovak Republic no. 16786 / 2007-31, which lays down similar details for budgetary organizations, contributory organizations, state funds, municipalities and higher territorial units.

Revenues represent the monetary performance of consumption and wear and tear of assets and the consumption of borrowings in order to achieve revenues. It is an increase in the economic benefits of an entity in an accounting period that can be measured reliably. The generation of revenue creates an opportunity, directly or indirectly, to increase the entity's cash.

Revenues in the double-entry bookkeeping system are recorded in the profit and loss accounts of account class 6 - Revenues. They have an increasing equivalent and are accounted for from the beginning of the accounting period. In this context, we distinguish between revenues and revenues. While income is recognized in the income statement, income is characterized in accordance with the Accounting Act as an increase in cash or an increase in the cash equivalents of an entity and is recognized in the balance sheet accounts.

The following is applied here:

- revenue \neq income (revenue does not have to be the money income)
- income \neq revenue (income does not have to be revenue)
- income = revenue (income is reflected as revenue).

A comparison of the structure of revenues of business entities and self-government entities according to the general chart of accounts is shown in Table 2.

Table 2. Revenue structure by accounting groups

Business entities	Entities of self-government
60 Revenues for own services and goods	60 Revenues for own services and goods
61 Changes in internal inventories	61 Changes in internal inventories
62 Activation	62 Activation
64 Other income from economic activity	63 Tax and customs revenues
65 Settlement of certain items from economic activity	64 Other revenues
66 Financial revenues	65 Settlement of reserves and provisions from transfer and financing activities and accrual settlement
	66 Financial revenues
	67 Extraordinary revenues
	68 Revenues from transfers and budget revenues in state budget organizations and contributory organizations
	69 Revenues from transfers and budget revenues, higher territorial units and in budgetary organizations and contributory organizations established by the municipality or higher territorial unit

Source: own processing based on measure of the Ministry of Finance of the Slovak Republic no. 23 051/2002-92 and 16786/2007-31

When accounting for revenues for both monitored entities, the accrual of revenues is applied through accounts 384 - Deferred income, 385 - Deferred revenues. Accruals mean the application of the accrual principle, ie that costs, expenses, income and revenues are recognized in the accounting period to which they are temporally and materially related. The principle of accrual emphasis emphasizes the independence of accounting periods, which is important in calculating the economic result for the current accounting period.

The main difference between the general chart of accounts between a public administration entity and a business entity is the fact that public administration entities have reserved accounts for:

- tax and customs revenue,
- extraordinary income,
- revenues from transfers and budget revenues in state budget organizations and contributory organizations,
- revenues from transfers and budget revenues, higher territorial units and in budgetary organizations and contributory organizations established by the municipality or higher territorial unit

These accounting groups are important for the specifics of public administration entities, especially for accounting for transfers.

Transfers are not for business entities, as business objects manage their own and foreign resources and not transfers.

5. Comparison of revenue presentation

In the Slovak Republic, information on the entity's income is presented by accounting entities (business entities as well as public administration entities) in the financial statements, specifically in the income statement. (Kajanová, 2014).

5.1 Differences in reported statements

In addition to financial statements, public administration entities are also obliged to submit budgetary and statistical statements.

Budget statement, which is the FIN 1 statement on the implementation of the budget and on un budgeted movements in the accounts of the general government.

The statistical reports are as follows:

- FIN 2 statement on selected data from assets and liabilities of a public administration entity,
- FIN 3 statement of increase / decrease in financial assets and financial liabilities by sector,
- FIN 4 statement on the breakdown of financial assets and financial liabilities by sector,
- FIN 5 statement on loans, issued bonds, bills of exchange and financial leases of a public administration entity,
- FIN 6 statement on the balance of bank accounts and liabilities of municipalities, higher territorial units and budgetary organizations established by them.

Budget and statistical statements are therefore obliged to be submitted by public administration entities, as these entities are recipients of funds from the state budget and the state monitors the drawing of funds through these statements.

Since 1 January 2014, the budget information system for self-government - RIS.SAM, has been introduced in the Slovak Republic, in the system of which public administration entities enter budget, statistical statements as well as a profit and loss statement. The RIS.SAM project is guaranteed by the Ministry of Finance of the Slovak Republic (MF SR) and the Association of Towns and Municipalities of Slovakia (ZMOS), while this system brings a significant improvement in IT budget support.

If the city or municipality used its own information system before 2009, which fully covered the needs in the area of budget management and program budget management, RIS SAM uses automated data transfer from the original system to the new, free application (RIS.SAM). In this case, there was no duplication of work performed, because it continues to use its information system and the connection to RIS.SAM is automated.

We formulate the benefits of this system as follows:

- simplification and clarity of work with budget information for users at all levels of management,
- simple work with a unified information system, not requiring specific IT skills,
- maintaining autonomy in the use of existing local economic information systems,
- guaranteeing compliance with legislative requirements in the area of budgeting in the required time,
- free incorporation of all methodological changes within the system,
- free provision of connection to the Communication and Technological Infrastructure of the Ministry of Finance of the Slovak Republic as well as to the system itself,

- user support, provided by experts in the DataCentre User Support Center, an organization of the Ministry of Finance of the Slovak Republic that manages public finance information systems and provides support to their users,
- support of program budgeting (creation of program structure, definition of objectives, measurable indicators, creation of monitoring and evaluation reports)

The RIS.SAM system has several key features that guarantee its suitability for self-government:

- budget support at the level of the city, municipality and their subordinate organizations,
- draft and approval of the budget, budget adjustments, recording of drawing, program budget,
- manual entry or import of data,
- central application management, integration with third party systems,
- secure operation via a communication line to the DataCenter,
- outputs for reporting, press reports,
- clarity, intuitive operation, user support, free training,
- joint project of the Ministry of Finance of the Slovak Republic, Association of Towns and Villages and the Union of Slovak Cities.

The RIS SAM system in Slovakia has the obligation to use all municipalities, cities and the city district currently means 2,927 entities.

Common aspects of reporting

Public administration entities as well as business entities have published financial statements in the registers of financial statements. The Register of Financial Statements is a public administration information system in which financial statements and auditor's reports are stored. The legislatively mentioned register is regulated by § 23 of Act no. 431/2002 Coll. on accounting as amended. The register of financial statements is a central place of storage and a single place of publication of financial statements, which contains a database of data on legal and natural persons in the range of data provided by financial statements. The registry administrator is the Ministry of Finance of the Slovak Republic. The Register of Financial Statements in the Slovak Republic has been operating since 1 January 2014. Pilot operation of the Register of Financial Statements, which was created in cooperation with the Slovak Chamber of Tax Advisers, the Slovak Chamber of Auditors and the Slovak Association of Corporate Financiers,

The register is divided into a public and a non-public part. In the public part, the financial statements of companies, cooperatives, state enterprises, public administration entities, accounting units that account in accordance with international accounting standards are available. Documents from the public part of the register of financial statements are made available in electronic form via the portal www.registeruz.sk.

In the non-public part there are the financial statements of accounting units that are not in the public part. These include, in particular, the financial statements of business entities - individuals and non-profit organizations, foreign branches, organizational units that are not required to disclose.

The publication of financial statements in the register of financial statements is as follows:

1. documents prepared in paper form are delivered to the tax office, which converts them into electronic form and then forwards them to the RÚZ;

2. documents prepared in electronic form are delivered via the financial administration portal (www.financnasprava.sk);
3. Public administration entities deliver documents through the system of State Treasury.

The register of financial statements for the period 2009 - 2021 contains the following documents:

- number of accounting units with at least one financial statement - 2,012,187 pcs
- number of financial statements - 4,577,7115 pcs
- total number of individual financial statements - 9,123,979 pcs
- total number of attachments - 6,449,791 pcs

Advantages of the register of financial statements for entrepreneurs as well as for public administration entities:

- Elimination of administrative burdens of business entities
- Fight against tax fraud
- Transparent monitoring of public funds - as the register contains financial statements of public administration entities.

Conclusions resulting from the control activities of the Financial Administration of the Slovak Republic

The financial administration, through the tax offices, ensures the control activities of individuals and legal persons (business entities). At the beginning of the business activity, they are obliged to register with the locally competent tax office. Since 2019, business entities have been communicating exclusively electronically to the tax office.

Legal entities report profit, or loss as the difference between income and expenses, and this is the basis for calculating corporate income tax. Individuals (persons doing business on the basis of a trade license) report the profit or loss as the difference between income and expenses. Table 3 contains the number of business entities in the Slovak Republic.

Table 3. Number of business entities (individuals and legal persons) in the period 2018-2020

YEAR	Number of registered individuals	Number of registered legal persons
2018	3.124.373	294.396
2019	3.241.894	306.622
2020	3.355.264	322.235

Source: Annual Report of the Financial Administration of the Slovak Republic

The above table shows a slight increase in the number of legal and individuals with a comparison with data from 2018 to 2020. This increase may be due to the introduction of electronic communication with the Financial Administration of the Slovak Republic, which results in a reduction in administrative burdens (see Table 4).

Table 4. Overview of findings from inspections carried out by tax authorities in the period 2018 - 2020

YEAR	Corporate income tax	Personal income tax
2018	107.450	11.018
2019	118.032	21.286
2020	146.858	8.842

Source: Annual Report of the Financial Administration of the Slovak Republic - from 2018 to 2020 in thous. Eur

Due to the fact that the Financial Administration of the Slovak Republic does not have the opportunity to perform a tax audit of every tax subject, the effectiveness of tax audits and the correct selection of audited entities play an important role. The state also secures the revenue part of the state budget through control activities.

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