



The management of subsidies in non-profi organizations

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ABSTRACT

In the years following the change of the regime, subsidies granted by way of tenders and as well as other methods appeared in Hungary, which presented new tasks in accountancy. With the country's EU membership subsidies are becoming more and more widely accessible, thus it proves necessary to address matters of accountability as a topic of high priority. Tasks related to accounting need examining from several aspects. On the one hand, it is necessary to describe the concrete duties related to the ledger accounting, on the other hand, knowing what costs exactly can be settled against the subsidy also proves significant, as well as the method financing our project.

KEYWORDS: Subsidy, accounting settlement

Introduction

We have to approach the tasks connected to the accounts from several angles. On one hand the making known of the accounting tasks is very important on the other hand it is worth knowing which costs can be accounted against the subsidy. Another important issue how to finance our project. I am trying to give a comprehensive answer for this in this study.

The ways of financing the project

The subsidy not to be paid back is a sum of money for the enterprises and organizations. This subsidy is given by the central government, the local governments, the EU and other organizations. This subsidy is not meant to be paid back when meeting the requirements of the defined conditions. However the received sum is not burdened by interest it still can not be regarded as a source without costs. We have to devote time and energy to the competition.

Accountancy of the costs

In case of the competitions of the Structural Funds, the candidate has to hand in a listed budget based on price offers and calculations with the competition documents. The candidate should know in every case what is the background of the invoices so a detailed working out of a budget inevitable for the competition. The most important consideration is the following: the competition and the budget should reflect that the candidate wants to use the subsidy sensibly an economical and of course for the aims listed in the tender. /BODÓ, 2004./ When compiling the budget it is not enough to take into consideration which costs can occur during the carrying out process of the project but we have to analyze that from the emerging costs which will be entitled to the subsidy. Certain competition accouchements and the connected guides define for the candidate that which would be the entitled and not entitled expenses in a competition so in the following I would like to give a general view of this topic.

In case of the whole costs of the project we can talk about all cost and all entitled costs. The defined percentage of the latter will be given for the candidate as a subsidy /BODÓ, 2004./. The subsidy can be made use source and performance comparative adjusting to the timing in subsidy contract. The condition of the paying out is the paid invoice in accord with the material and workforce expenses emerging when we intend to realize the activity. But they accept that invoice which contains appropriate sums according to the subsidy sum so it is really important to know what expenses could be written into the invoice.

The sum of the accountable costs the beneficial has to define the sum of the accountable costs based on the costs emerged connected to investment expenses. As accountable cost just the costs in the subsidy contract, planned entitled cost items can be accounted. So the base of the subsidy maximal the confirmed cost in the subsidy contract. Of course in the cost plans the future cost can not be defined punctually, so the competitions allow a $\pm 10\%$ difference and regroup between the main items compared to the original budget. A deeper change can be allowed just with the agreement of the IH. When we define the accountable costs we have to take into consideration the beneficial rights to VAT deduction, the sum of the charged VAT, and defined into his subsidy contract. On the base of these we distinguish three main categories

which categories depend on whether the beneficial in case of the sum investment entitled to the repayment of the VAT.

1. If the beneficial is not entitled to the repayment of the VAT so the base of the subsidy is the gross value of the invoices.
2. If the beneficial is entitled to payment connected to the project so the projects Accountable cost increases by the defined not repayable VAT proportion which is based on the subsidy proportion. To calculate the sum we use the Ministry of Finance guide.
3. If the beneficial is not in the VAT power but is in the force of the eva so the case of the subsidy is the gross value of the invoices.

The beneficial has to make a VAT declaration just because of the above mentioned. In this the beneficial declares whether he/she has a right to deduct the VAT or not in the respect of the invoices represented in the settlement. The filling out and the sign is compulsory in every handing in.

The classification of the subsidies based on the settlements

In the focus of this classification is the following: how to use the beneficial the subsidy. So we can talk about two different subsidies:

1. Subsidies for investment, development so the realization and a bigger alteration and improvement of a tangible asset can be carried out from the wo subsidy
2. In case of the subsidies financing operational costs there is no purchase of newer tangible asset. From the received money they finance an intellectual activity, capacity, skill and their improvements and they also finance costs emerging against the maintenance and Operation of the organization.

The two subsidies groups do not always differ from each other as it can be seen in the first chart. The financing form subsidy to operational costs can also occur but for the realization less value tangible assets purchase is also necessary and this counts to investment. Since the bookkeeping accounts of the two subsidies groups significantly differ from each other so nit he latter case we have to pay attention to the appropriate differentiation between the two groups. In the subsidy contract the form of donation is always defined. This subsidy contract is the base of the checks of the realization, the finance and the later verification.

Settlement tasks

In my study I just deal with the bookkeeping of the enterprises using double-entry bookkeeping so I do not deal with the characteristic of the budgetary single-entry bookkeeping. The settlement of subsidies basically can be of two depending on whether they are for operational costs or improvements subsidies. In case of the agricultural enterprises there is a third case if they get the subsidy as a permanent improvement subsidy.

At the account of the subsidies the most important thing is to keep the principle of matching which means that when we define the definite term's result we have to take into consideration the received revenues of the activity and the costs irrespectively of the Financial fulfillment According to these the settlement is connected to the term of economics emerge not to the financial arrangement. The realization of this hap-

pens with the help of the carry over.

It is important to emphasize that the Hungarian Accountancy Law has become better adjusted to laws of other countries thanks to changes in the rules. The Hungarian candidates do not have to struggle with special burdens in the settlements in financing their projects because the Hungarian rules are adjusted to the European principles.

Principles connected to the competitions:

- It is recommended to join the subsidies with Ear origin into an organizational minor account. It is useful to open a work number for every project
- Any costs can be settled just meant for the burden of the project form the sign

Account of the improvement subsidies

The improvement subsidies are based on the difference between point of times can happen according to the following

- Subsidy with post account
- Subsidy in the form of advance
- The executer, carrier, supplier hand in but the beneficial does not pay out based on the invoices and that is the subsidy.

Settlement of subsidies for operational expenses

According to the principle of the matching that from the subsidy settled as an other income we have to demonstrate in the end of the tax year among the liabilities.

Subsidies to be placed in the capital surplus

The law orders a placing in the case of the agricultural enterprises. We have to demonstrate simultaneously this with cash flow and assets flow an the increase in the capital surplus.

Tasks connected to the settlement of the VAT

Since 1 January, 2006 the difficulties with the proportion of the settlement of the VAT were dissolved and the VAT of purchased assets, financed costs is can be asked to pay back. So they are not compulsory to take a proportion in the power of VAT in the enterprises. The situation at the VAT-proof enterprises is different and those non-profit organizations that use the subsidy as a user so their activities do not go with any results. In this case the deduction and the proportion of the deduction are to be analyzed separately.

Contests of the notes to the financial statement

In the notes to the financial statement we have to introduce the terminally granted, the settled sums by subsidies in the separation of the received sum and use and the available sum. If the law does not dispose about this we have to give further information in the notes to the financial statement to be controllable and insured of the usage of the utilization of the subsidies and the usage of property belonging to the budget.

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