

COMPETENCY OF FUNDING SYSTEM IN SHIRAZ CUSTOMS IN CONTROLLING OF THE COSTS OF ANNUALLY-APPROVED PROJECTS AND PLANS

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ABSTRACT

The government and its subordinate units and non-governmental public institutes are among major organizations of public sector of Iran. Therefore, the analysis of financial reporting for such organizations can highlight the status of financial reporting of the private section. Financial reporting is one of the primary means of undertaking the responsibility of accountability by elected and appointed officials of large organizations of the private section so as to obtain and enhance accountability. Because of the increase of citizens' demands to know facts and to seek answers, politicians and statesmen of developing and developed countries have developed a modern financial reporting system which is based on accountability. In the present study, the writers endeavor to develop a precise evaluation of reporting status of Shiraz Customs and provide practical and suitable suggestions so as to enhance reporting status of this organization.

Keywords: *Financial System, Reporting, Cost, Treasury, Shiraz Customs*

INTRODUCTION

The Definition of Governmental Accounting

Governmental accounting is a system which collects and reports the information of financial activities of ministries and governmental institutes so as to make a proper national decision and to control the annually approved planning and expended financial resources (Bayat, 2010).

The Definition of Financial Reporting

Different individuals and authorities with different rights, profits, and various and at times paradoxical interests need financial modifications to judge the condition of profit units. And profitable units gather and present different financial reports to satisfy these needs which have applications outside of organizations (Alivar, 2011).

The Financial Reporting In Iran

Financial reporting in Iran can be evaluated from two viewpoints. The first is economic environment and match between reporting and complexity of economy in Iran and the second is dominating rules of reporting. In regard to the first viewpoint, one can ask that whether the third economic wave has changed conditions of Iran or not. Does the term "new economy" apply on economy of Iran?

One can conclude that the accounting and financial reporting in Iran is more advanced than economic conditions of Iran but undoubtedly, economy of Iran will break by wave of information and this will lead to change of the accounting and reporting in Iran.

The Current Condition of Financial Reporting

The disinclination of the companies to execute financial reporting, the lack of sufficient practices in real economic global competition, the inactivity of stock exchange market for years, the traditional culture of secrecy, the lack of legal requirements of reporting to the public and other influential subjects led to the overall disinclination of the financial reporting of the customs and ignorance about the essential responsibility which is one of the fundamental pillars of the security and guarantee of the rights of beneficiary customs especially with the case of the investors and creditors. This can be regarded as barrier to sufficient confidence in official announcements and public demand for the methods of improving financial reporting or any innovation in this regard. Financial reports are not conceived among receivers of information as trustworthy sources of proper disclosure of financial reports of companies due to many

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reasons such as those recounted above. Naturally, distinctive conditions of capital market and its inefficiency have made users of financial information to look for unofficial sources instead of issued financial reports (Arab Mar Yazdi, 2011).

Governmental Financial Reporting

Main users of governmental financial information need more detailed information than what is included in basic financial statements.

Annual financial reporting should include introductory, financial and statistical section.

Introductory section should contain information regarding the title page, table of contents, letter of transmittal by financial manager and other contents that seem to be suitable from management viewpoint.

Financial report might be a letter from financial manager to managing director and board of directors in a governmental unit. It could be an official letter, a descriptive text stating legal requirements or a definite approach. Generally, the important aspects of financial condition and operations of reporting unit are discussed for independent accounts and groups of accounts.

Financial section of general annual of financial report should include the following items:

- 1- Auditor's Report
- 2- Basic Financial Statements
- 3- Individual and Combined Financial Statements of Every Independent Account and Group of Accounts and Tables

Basic financial statements in financial section of general report should consist of the following items:

- 1- Combined Balance Sheet of All Independent Accounts, Group of Accounts and Associated Units
- 2- Combined Financial Statement of Income, Expenses and Changes in Surplus as well as Independent Governmental Accounts such as Independent Account and Dependent Units
- 3- Combined Financial Statement of Income, Expenses and Changes in Surplus of Independent Accounts (i.e. Real Budget) such as All Independent Accounts and Special Incomes
- 4- Combined Financial Statement of Revenues, Expenses and Changes in Non-distributed Dividend (Equity) of Independent Capital (i.e. Commercial) Accounts and Related Units
- 5- Combined Financial Statement of Cash Flow of Independent Capital (i.e. Commercial) Accounts and Related Industry Units

Statistical section includes introductory and financial section of annual financial report to provide charts and tables so as to present financial and social data, financial trend and fiscal capacity of government for satisfaction of readers interested in activities of governmental unit. Statements of governmental accounting standards board recommend attention to contents of tables in provision of annual financial report (Mahdavi, 2010).

Objectives of Financial Reporting

The main objectives of accounting and governmental financial reporting are:

- 1- Provision of Proper Financial Information for Economic, Political and Social Decision Making and Performing Consultation and Accountability Duties
- 2- Provision of Proper Information for Evaluation of Organizational Management Performance (Babajani, 2011)

Background, Progress and Changes of Customs in Iran

Background of customs dates back to Constitutional Revolution. Constitutional revolution of Iran was a manifestation of public opinions and demands for their participation in defining their own fate which led to significant changes in national affairs (Shakiba, 2011). But new activities of customs within Boundary Tariffs Office are related to post-constitutional era because in constitutional government, national council and the government were assigned to execute public demands.

Principles of Accounting in Customs and Concept of Budget

Accounting and budget are complements of each other and in regard to governmental institutes and customs; this complementarity is so powerful that one can state that budget and accounting are necessary and sufficient conditions for running of affairs and proper management. In this connection, budget is necessary condition and accounting is the sufficient conditions (Bahrami, 2011).

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Literature Review

Babajani (2009) evaluated the responsiveness of financial system of the government. He concluded that accounting and financial reporting system of Islamic Republic of Iran does not have necessary requirements to perform the duty of accountability in fields of controlling approved budget, identification and announcement of actual annual income and expenses, statement of fixed assets and long-term debt and manifestation of status and results of financial operation in annual financial reports.

In his study, Bonordi (2001) found out that based on his hypotheses, existence of barriers in governmental accounting environment leads to a status in which the development of governmental accounting has not been possible and existing governmental financial reporting system does not have the requirements of an efficient and effective system to realize objectives of governmental accounting and financial reporting, especially researches for responses of the state and their evaluation by the public and parliament members.

In a research published in Accounting Horizons Magazine (2007), the writer examined a sample of 290 companies in United States from November 1997 to January 1998. Their study showed the following findings:

- 1- 70 percent of companies use financial reporting and their reported information is very suitable in term of time of publication.
- 2- Usefulness of reporting in these companies depends on accessibility, method of loading (i.e. downloading) and analysis of information

In a research published in Communications of The ACM Magazine (2008), different results of financial reporting in United States were reported. In this study, websites of 203 companies were analyzed which showed that set of reported financial data in website of a company has a significant association with analysis competency of users of such data.

Statistical Population of Present Study

| Total Population | Total Number of Employees | Employees of Financial Systems |
|-------------------------|----------------------------------|---------------------------------------|
| Shiraz Customs | 46 | 36 |
| Free Economic Zone | 43 | 31 |
| Post Parcels | 33 | 25 |
| Central Customs | 52 | 42 |
| Lar Customs | 31 | 24 |
| Lamord Customers | 30 | 17 |
| Total | 235 | 175 |

Hypotheses of present paper are:

- Financing system in Shiraz Customs lacks the competency to control the costs of programs, plans and annual approved projects.
- Governmental accounting system used in financial reporting of Shiraz Customs lacks the competency of properly reporting financial systems.
- Treasury system of Shiraz Customs lacks the necessary and expected competency of a proper deposition and payment system.

Test Hypotheses

H0: Observed frequency distribution is identical with expected frequency distribution.

H1: Observed frequency distribution is not identical with expected frequency distribution.

Calculation of Statistical Test

Test function is as follows:

$$X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

In which f_o is observed frequency and f_e is expected theoretical frequency.

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Critical Region

$$W[x^2 \geq x_{1-\alpha}^2, (n-1)(k-1)]$$

Calculation of Test Statistics

The value of this statistic in the present test was calculated in 0.05 level of significance by Chi-square test through manual and software calculations. The value of chi-square was 81.95 and it was more than value of chi-square of SPSS Software in 0.05 level of significance (i.e. 51). Therefore, comparison of these two values with degree of freedom (i.e. d.f=36) leads to the following results:

1- H1 is supported with 95 percent level of confidence due to higher values of calculated Chi Square compared with test ones. It means that financing system of Shiraz Customs lacks the competency of controlling programs, plans and annual approved projects.

The following figure shows the genera results of hypotheses.

| Number of Hypothesis | Hypothesis | Support and Denial |
|----------------------|---|--------------------|
| First Hypothesis | Financing system of Shiraz Customs lacks the competency to control the costs of programs, plans and annual approved projects. | Support |
| Second Hypothesis | Governmental accounting system in Shiraz Customs lacks the competency to properly report financial statements. | Support |
| Third Hypothesis | Treasury system of Shiraz Customs lacks the expected competency of a proper deposition and payment system | Support |

Figure 7.1-A Summary of Research Findings

CONCLUSION

The results of testing the above three hypotheses showed that based on accountability duty, there is a significant difference between acceptable and expected key factors of a proper financial reporting system in the following order:

- 1- Financing System
- 2- Governmental Accounting System
- 3- Treasury System

And existing conditions of the same factors in operating reporting system of Shiraz Customs. Therefore, by utilizing the results of the mentioned hypotheses, we came into this conclusion that financial reporting system of Shiraz Customs lacks expected competencies of a proper financial reporting system to fulfill its accountability duty as verified in significant difference of the three factors with their favorable levels. Therefore, financial reporting system of Shiraz Customs can act as the main means of performing accountability that its financing system can contribute to controlling programs and implementation of approved projects, its governmental accounting system provides a proper reporting tool and utilized treasury system can facilitate internal controls. Findings of present study shows that financial reporting system of Shiraz Customs lacks the above-mentioned characteristics to perform its accountability task in Shiraz Customs.

Suggestions based on the Results of Findings

Based on the mentioned results, the writer provides some suggestions for producing the fundamental changes in the financial reporting system of Shiraz Customs.

Due to the confirmation of the first hypothesis regarding incompetency of financing system of Shiraz Customs to control costs of plans, programs and annual approved projects, the following suggestions are presented.

- Due to the fact that the financing system does not exist in most of customs in Fars Province, the Shiraz Customs must perform a funding system in its financial department in order to establish a proper funding

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system by which, according to the regulations of funding, the Customs could join the income and the appropriate expenses so that the provincial customs can have sufficient information for financial reporting.

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