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**CURRENT ACCOUNTING PROBLEMS IN THE CASH EXECUTION OF STATE
AND MUNICIPAL BUDGETS IN BANKS**

A B S T R A C T

of dissertation thesis for acquiring the educational and scientific degree “Doctor” in the
doctoral programme “Accounting, Control and Analysis of Economic Activities
(Accounting)”

Dissertation supervisor:
Assoc. prof. Ventsislav Vechev, PhD

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The dissertation is composed of 200 pages, of which: front page and contents – 2 pages; introduction – 7 pages; an exposition (three chapters) – 181 pages; conclusion – 2 pages and a declaration of authenticity and originality – one page. The bibliography is in APA Style and has a volume of seven pages. It contains literary, normative and online sources and a volume of 97 sources in total, of which: 87 in Bulgarian, 7 in Russian and 3 in English. In the exposition are included 2 figures. The appendices are four, finished in a different scroll.

The author of the dissertation is a PhD student in a full time form of study at the Department of Accounting at the Academy of Economics “D. A. Tsenov” – Svishtov.

The dissertation is discussed and proposed for defense in front of a scientific jury by the Department of Accounting at the Academy of Economics “D.A. Tsenov”- Svishtov according to the Law on the development of academic staff in Republic of Bulgaria (Record №16/20.05.2021).

I. GENERAL CHARACTERISTICS OF THE DISSERTATION

1. Relevance of the research

The issues of cash execution of budgets in banks have become **relevant** relatively recently. For a long time, these problems **have been the subject of research by a limited number of scientists**. Among them, some researchers in the field of accounting at the Academy of Economics “D.A. Tsenov” - Svishtov¹ have contributed to the scientific interpretation of this issue. This motivates the author's attention to the issues of cash execution of the budget process in banks. The chosen topic narrows the scope of the study only to banks, which allows more in-depth study.

2. Aim and tasks of the dissertation

The main purpose of the study is, based on an in-depth and detailed description of budget revenues and budget expenditures as reporting objects, to outline the current accounting problems in the cash execution of state and municipal budgets.

This goal can be achieved by solving the following **research tasks**:

- to substantiate the possibilities of the bank accounting and information system to create a quality information product for the implementation of the budget system;
- to substantiate its presence in the bank accounting system in the form of budget receipts by a reasoned characteristic of the reporting object "budget revenues";
- to prove by the analogous characteristic of the reporting object "budget expenditures" that its presence in the banks is in the form of payments from bank accounts of budget entities;
- to substantiate the need for the approval and use in the banking system of a common bank chart of accounts, which should be called "Sample bank chart of accounts";
- to improve the reporting process for the state budget expenditures, related to their characterization in analytical terms;
- to prove with scientific arguments that the analytical reporting of revenues and expenditures on municipal budgets in banks may not be performed;
- to substantiate the differences in the technology of realization of the accounting banking process in the cash execution of the state and municipal budgets.

3. Object and subject of the research

The object of the study is the cash realization of the state and municipal budgets in the system of bank reporting units. **The subject** of the research are the accounting aspects in the cash execution of the state and municipal budgets in the banks in Bulgaria.

¹ Merazchiev, V. Accounting aspects of cash execution of the state budget. Yearbook of Academy of Economics “D.A. Tsenov”- Svishtov, Tome IX, p. 5-118

4. Scope of the research

The scope of this study includes the budget and banking systems of the Republic of Bulgaria. The budget research system raises specific questions from the activities of the state and municipal budgets. From the banking system the interest is limited mainly to the Bulgarian National Bank. As not all functioning units of the system of commercial banks participate in the cash implementation of the budget process, the study includes only the banking entities that are directly involved in the cash execution of the budget. As for the other units of commercial banks, their activity is taken into account only when characterizing the accounting process in the banking system.

5. Research thesis

The main research thesis, which is defended in the dissertation on the basis of theoretical and practical research, is that there are reservations about the accounting characteristics of receipts and payments in the system of state and municipal budgets in banks, such as "revenues" and "expenditures", as is currently the practice in our country. From the point of view of the property and financial condition of the banks these funds are kept in open bank accounts with holders - budget organizations, therefore in accordance with the established principles of accounting theory and the provisions of the Conceptual Framework for Financial Reporting it is appropriate that they can be reflected in the accounts as an attracted resource (liability).

6. Research methodology

Different approaches and tools have been used in the implementation of this research. The scope of the specific scientific methods used in carrying out the research includes:

- critical review and analysis of publications on issues related to the research topic;
- induction and deduction;
- analysis of the legal framework on the issue;
- comparison;
- summarizing and analyzing the results of practical observations and research;
- conclusions based on logical arguments and scientific judgments.

7. Restrictive conditions of the study

In carrying out the research work on this dissertation we encountered the following restrictive conditions:

- extremely limited range of publications on the topic of the dissertation;
- the practical studies of the banking activity were carried out under the strong influence of the issue of banking secrecy;

- the normative acts used in the development of the dissertation are up to date as of 30.04.2021.

8. Approbation

Parts of the dissertation are published in specialized scientific journals and presented at scientific forums.

II. STRUCTURE AND CONTENT OF THE DISSERTATION

The dissertation on the topic: "Current accounting problems in the cash execution of state and municipal budgets in banks" includes an introduction, three chapters, a conclusion, four appendices and a list of used literature sources and regulations.

The structuring of the content of the dissertation is presented through the following main elements:

Introduction

Chapter one: CHARACTERISTICS OF THE BUDGET AS A REPORTING OBJECT

- 1.1. Budget system of Republic of Bulgaria**
- 1.2. State budget of Republic of Bulgaria – compilation, acceptance and reporting**
- 1.3. Municipal budgets and the functioning of the settlement systems in our country**
- 1.4. Role of the banking system in the implementation of state and municipal budgets**
- 1.5. Theoretical and methodological features of the accounting process in the units of the banking system in the Republic of Bulgaria**

Chapter two: ACCOUNTING ASPECTS OF THE STATE BUDGET IN THE UNITS OF THE BANK SYSTEM

- 2.1. Revenues of the state budget as an object of reporting in the Bulgarian National Bank and the system of commercial banks**
- 2.2. Expenditures of the state budget as a reporting object in the bank system**
- 2.3. Organization of the cash realization of the state budget in the banks**
 - 2.3.1. The treasury single account in the cash execution of the state budget**
 - 2.3.2. System of electronic budget payments (SEBRA)**
- 2.4. Problems and opportunities for optimization in accounting of the cash execution of the state budget in the units of the bank system**
- 2.5. Practical aspects in the reporting of European Union funds and foreign accounts in the bank system**

Chapter three: ACCOUNTING ASPECTS OF THE MUNICIPAL BUDGETS IN THE UNITS OF THE BANK SYSTEM

- 3.1. Characteristics of the relations between the municipalities and the banks**
- 3.2. Revenues of municipalities as a reporting object in the bank system**
- 3.3. Expenditures of municipalities as a reporting object in the bank system**
- 3.4. Problems and opportunities for optimization in accounting of the cash execution of municipal budgets in the units of the bank system**

Conclusion

Declaration of authenticity and originality

Used literature sources and regulations

III. SYNTHESIZED PRESENTATION OF THE DISSERTATION

Introduction

The questions related to the characterization of the budget system of the Republic of Bulgaria are many and varied, therefore the answers to each of them are not within the capabilities of only one researcher.

The scientific interest of the author of this study is mainly focused on the accounting characteristics of the budget system. Something more. The issue of budget accounting has two sides. This system receives a complete accounting characteristic in the accounting units of the functioning budget entities. Two of the main aspects of the budget process - the collection of budget revenues and expenditures also affect the activities of many banking entities, which is why part of the banking accounting process is directly related to the accumulation of budget revenues and the payment of budget expenditures. This activity of the banks is known as "cash execution of the budget". This ambiguity of the accounting of the budget process is the basis of the last detailization and orientation of the study only to the issues of **cash execution of the budget in the units of the banking system.**

Chapter one

CHARACTERISTICS OF THE BUDGET AS A REPORTING OBJECT

This part of the study examines general theoretical issues related to the budget system of the Republic of Bulgaria, incl. the state budget and the municipal budgets, the role of the banks in the cash execution of the budget and the participation of the accounting in the banks in the information provision of the process of the cash execution of the budget.

1.1. Budget system of Republic of Bulgaria

The state budget in our country is realized on a cash basis. The cash realization of the state budget should not be connected only with the movement of the budgetary monetary resource in available currency. The units of the Bulgarian banks are a kind of "cash register" of the budget, due to which the moments of receipt of this resource on the bank accounts of the budget and the payment of funds from these accounts are defined as cash execution of the budget. Or this cash realization of the budget is not related to the movement of cash in the treasury of the individual budget entity (budget organization). The whole process of cash execution of the state budget is organized and carried out by the Bulgarian National Bank and the commercial banks in our country. The Ministry of Finance and the Bulgarian National Bank develop and approve special instructions for the cash execution of the state budget, municipal budgets and accounts for funds from the European Union. These instructions help to achieve precise order and rules in the implementation of the process of cash execution of the budget in our country.

As a result of the research in this paragraph the following summaries and conclusions can be made:

1. The budget system of the Republic of Bulgaria is a set of budget entities and financial resources for the creation of public goods in order to meet public needs.
2. The budget system of the Republic of Bulgaria includes two main elements: state budget and local (municipal) budgets.
3. The state budget includes the central budget, the budget of the executive power, the budget of the National Assembly, the budget of the judiciary and the budget of other state organizations.
4. The group of local budgets includes municipal and mayoral budgets. Municipalities and mayoralties are administrative bodies that implement functions and activities of local importance. The functions of the 28 regional administrations in the country are of such a nature. These administrative and management bodies do not form independent budgets, and the necessary funds for financing their expenses are provided by the central republican budget.

5. The budgetary status of the regional administrative administrations is indicative of the fact that in the budgetary system of the Republic of Bulgaria there are budgetary entities for satisfying functions and activities of local importance, and their financing is carried out with funds from the state budget.
6. As of January 1, 2014, rules and procedures are in force, which are regulated by a new law - the Public Finance Act, which is largely in line with European legal norms.
7. The cash realization of the state and municipal budgets is carried out through the active participation of the units of the Bulgarian banking system.

1.2. State budget of Republic of Bulgaria – compilation, acceptance and reporting

In her work on the topic, R. Lilova proposes that the study of the budget be oriented in three directions. On this occasion, she writes: "The current characteristics of the budget, arising from the Public Finance Act (PFA), require its nature to be studied from an economic, legal and technical point of view" (Lilova, Radulova, & Stefanov, 2016).

The state budget is the financial basis of the economic program of the executive branch (government). From an economic point of view, the state budget is a set of revenues and expenditures.

In substantiating her views in the first direction on the nature of the state budget, R. Lilova seems to pay more attention to the ruling majority, which determines the nature of the state budget adopted by the National Assembly. Without ignoring this role, the Republic of Bulgaria must carry out all budgetary procedures with the participation of all MPs, regardless of their political affiliation.

Apart from the economic point of view, the state budget can also be characterized from the legal point of view. The reason for this characteristic of the budget are, first, the many tax laws that form the legal basis for the accumulation of the revenue side of the budget. For this reason, before the legislature starts the procedure for the adoption of the state budget, it reviews all tax laws. The relevance of these laws is directly dependent on the government's economic program and affects the total amount of budget revenues and their internal structure. In this case, the change in the total amount of budget revenues is much more important. The structural changes in the revenue part of the budget are of no particular importance for the amount and structure of the state budget expenditures. This finding is a consequence of the fact that budget revenues are not earmarked and are used to finance all budget expenditures.

The legal interpretation of the state budget is complemented by the fact that after the final adoption of the state budget by the National Assembly, it becomes a law on the state budget for one year.

The third direction for characterizing the state budget is the technical one. From this point of view, the budget is a table in which the state's revenues and expenditures are visually

presented. This comparison of revenue and expenditure at the end of the budget period can lead to two different situations. In cases where the actual amount of accumulated budget revenues exceeds the actual budget expenditures, the budget has ended the year with a surplus. With the inverse relationship between budget revenues and expenditures, the difference is the budget deficit.

The exposition in this part of the dissertation can be summarized with the following specific conclusions:

1. The state budget is the main element of the budget system in the Republic of Bulgaria. The main administrator of this budget is the Ministry of Finance. This administrative and management body is assigned management functions affecting the entire budget system in the Republic of Bulgaria.
2. The state budget of the Republic of Bulgaria functions in inseparable connection and normative dependence with the budget of the European Union.
3. In the Republic of Bulgaria great attention is paid to the Law on the State Budget adopted annually by the National Assembly and to its current implementation. This law approves the financial framework of the economic program of the executive branch.
4. The Law on the State Budget, which is in force for only one year, is an important legislative act, which determines the volumes of state revenues and expenditures.
5. A significant role in the implementation of the state budget in the Republic of Bulgaria is assigned to the units of the banking system. In performing the tasks on the cash execution of the state budget, the leading banking management entity is the Bulgarian National Bank.
6. The units of the banking system carry out the cash servicing of the state budget, as their participation in the accumulation of the budget revenues is more significant.
7. An essential moment in the cash realization of the budget revenues of the state is their centralization in the Bulgarian National Bank on one bank account.
8. The implementation of the revenue part of the state budget is carried out on the basis of the current tax laws and with the actions of specific banking units, and in the implementation of the expenditure side of this budget the main subjects are budget organizations operating in the country.
9. The state budget of the Republic of Bulgaria is in very active relations with the general budget of the European Union, in the settlement of which the National Bank also takes part.

1.3. Municipal budgets and the functioning of the settlement systems in our country

The municipal budget structure is inextricably linked to local self-government, which "can be defined as a process in which the state delegates its rights to the territorial communities (municipalities) within which the latter carry out their activities" (Lilova, Radulova, & Stefanov, 2016).

The goals and tasks of the state and municipal authorities are always aimed at meeting public needs. In this situation, the financial provision of these needs can be provided by both state and municipal budgets. In many cases, this funding comes from both budgets at the same time. What will be the participation of municipal budgets in the financing of public needs in the country depends primarily on the will of the legislature and the executive. The legislator determines which of the budget revenues will be accumulated in the state budget and which will be directed to the local self-government bodies (municipalities). It depends on this orientation which of the public needs will be delegated for implementation, management and financing by the state and which - to the municipal authorities. Municipalities, compared to the state, are much closer to the population, which is the main source of budget revenues and to which almost all budget expenditures are directed.

The problems of the local government are also dealt with by the established regional territorial structures, which, although at a higher level of government, do not form independent budgets. In the past, when similar territorial structures (district councils) functioned, unlike the current budget practice, independent budgets of the district territorial units were formed, which together with the municipalities formed a two-tier budget structure of the local self-government. The experience of this budgetary practice, after a thorough analysis, should be compared with the current state of financing of activities of local importance and quite objectively assess the pros and cons of both ways of financial provision of local authorities.

The normal functioning of any settlement system depends to a very large extent on the financial stability of the municipality. In general, the own revenues of the individual municipal structure have a better impact on the overall activity of the municipality.

Municipalities carry out both activities delegated by the state and those of local importance. The first group of activities is financed by a subsidy provided by the central budget. The basis for the financing, control and reporting of these expenditures is the Unified Budget Classification, which is also applied to the central state budget. As for the second group of activities, their financing is carried out at the expense of own revenues from local taxes and fees and a general equalization subsidy.

The budget subsidy, which is an expenditure for the state budget and a revenue for the municipal budgets, is the connecting element between the two budget structures. This also determines the requirement for consistency in the timing of the adoption of the two budgets by the competent authorities. In this case, the decision of the National Assembly to adopt the State Budget Act for the next calendar year precedes in time the decision of the municipal council to adopt the budget of the respective municipality. In this sequence, the legislator first determines the amount of the subsidy for the budget activities delegated by the state to the municipalities and the amount of the total equalization subsidy for the municipal budgets.

The summary of the issue of municipal budgets and the functioning of settlement systems in our country can be made through the following several conclusions from the exhibition:

1. Municipal budgets are a budget structure through which needs of public character of local significance are met. This meaning is identified on the basis of the subjects to which the created and financed public goods are directed.
2. The ratio between the revenues and the expenditures under the municipal budgets in most cases is in favor of the expenditures, which is indicative of the greater centralization in the budget system of the country.
3. The balance between the revenues and the expenditures of the municipal budgets is achieved through provided subsidies in the Law for the state budget.
4. The bodies of the regional territorial structures are part of the local government. Due to the fact that they do not receive budget revenues, all their expenses are financed from the state budget. This conclusion raises the question of the extent to which the application of the mixed budgetary principle has its logical and theoretical justification.
5. The collective bodies for management of the municipalities, such as the municipal councils, have the powers to intervene in the determination of the concrete amount of the tax liability under the Law on Local Taxes and Fees adopted by the National Assembly. The decisions taken to increase the amount of local tax have a negative impact on the relationship between the municipality and the population.
6. The Public Finance Act determines the legislative framework for the implementation of all procedures related to the implementation of municipal budgets, including the procedures for their cash implementation.
7. The population of each municipality has the opportunity to actively participate in the organized public discussions on the adoption and implementation of municipal budgets.

1.4. Role of the banking system in the implementation of state and municipal budgets

The main function of the BNB is to issue banknotes from the national currency of the Republic of Bulgaria and to supervise not only the monetary turnover, but also the activity of the banking sector as a whole, for the normal functioning of the monetary turnover in the country. Along with these main functions, the BNB is assigned the task of organizing and carrying out the cash execution of the state budget. This task is regulated in Art. 43, para. 2 of the Law on the BNB, which reads: “As a fiscal agent and depository of the state, the Bulgarian National Bank:

1. perform the banking servicing of the accounts and payments in the system of the treasury single account, on behalf and for the account of the Ministry of Finance;
2. collect and submit to the Ministry of Finance periodic information on the accounts of the budgetary enterprises in banks in the country;

3. act as an agent for state debts and for debts guaranteed by the state;
4. may also perform other activities agreed with the Minister of Finance.”(BNB Act, 1997)

With regard to the state budget, the BNB performs two types of functions:

management, and

- current banking.

As the BNB occupies a central place in the process of cash execution of the budget, implemented by the banking system in the country, it is called to lead and control this process. The Central Bank of the Republic of Bulgaria approves the content of the primary payment documents for the deposit of the monetary resource in the banking units on the budget accounts and for the payment of funds from these accounts. By developing and adopting various bylaws for the regulation of individual parties to the process of cash execution of the budget process, a better order is created in its implementation. Some of these bylaws are analyzed in this statement. All this can be attributed to the management functions of the BNB.

The current functions of the BNB with regard to the cash execution of the state budget should include all daily interbank transfer operations received for accumulation of revenues in favor of the state budget and timely accounting realization of all other receipts on the bank budget account of the state.

It can be summarized that the BNB participates very actively in the accumulation of the budgetary monetary resource of the state in a bank account in the Central Office of the BNB, which is a prerequisite for its use to finance various types of expenditures provided for in the annual budget. The BNB makes payments from the state bank account under the following conditions:

- a) sufficient monetary resources entered the banking system;
- b) budget revenues have been transferred and received to the state account at the BNB Central Office (the single budget account);
- c) an explicit written consent to payment from the State account, given by the authorizing officer, received at the head office of the national bank (usually with a payment document).

The branches of the commercial banks participate in the cash execution of the state and local budgets. In most of the urban settlements there are several units of different commercial banks, which provide banking services to legal entities and individuals, potential payers to the state budget. The current tax laws regulate the terms in which taxpayers must repay their obligations to the budget. It is common practice for each debtor to initiate payment to the servicing bank within these terms to repay the debts.

From the presented statement on the issue of the participation of the banks in the cash execution of the budget in our country the following conclusions can be formulated:

1. The budget process of the Republic of Bulgaria is practically realized by the units of the banking system, emphasizing first of all the cash execution of the revenues and expenditures of the state and municipal budgets.
2. The banking operation for the receipt of budget revenue shall mark the beginning of the implementation of the budget process.
3. Banks are the reporting units, where the beginning of the cash realization of the expenditure side of the budget process is set. Here is the moment of the first accounting entry on the occasion of the cash budget expenditure.
4. The management functions regarding the cash execution of the budget process are assigned to the Bulgarian National Bank, and the current activity for the implementation of the same activity is assigned to a number of banking entities from the BNB system and the commercial banks.
5. The bank realization of the process of cash execution of the budget begins with the opening of a bank account in the name of the budgetary entity, which is the administrator of the deposited funds on this account.
6. The open accounts, of which budget holders are holders, shall be used according to the traditional basic banking rule for receipt of the funds before making a payment by it.

1.5. Theoretical and methodological features of the accounting process in the units of the banking system in the Republic of Bulgaria

"Accounting is a historical phenomenon with scientifically based methods and techniques that are characterized by originality, maturity and independence. It concretizes, illustrates and formalizes various countries and aspects of economic processes in their complexity and diversity" (Merazchiev & Batashki, Bank Accounting, 2002). It arises simultaneously with the emergence of commodity-money relations and banks. During the period from its inception until today (more than five centuries), accounting has been constantly evolving and improving, without changing its basic principles in the "production" of substantial reporting information.

The fact that the last thirty years in the Bulgarian economy have undergone significant changes does not escape the view of accounting theory and practice. The main issue that solves accounting in this period, according to Kosta Pergelov, is "To apply methodological techniques that allow events to be considered in historical terms and **to study the present on the basis of the past with a view to the future**" (Pergelov, Accounting Theory and methodology in our transition to a market economy, 2002).

The accounting in the Bulgarian banking units is realized on the same theoretical and normative basis, which is the basis of the practical realization of the accounting process in the non-bank accounting units. At the same time, the accounting in banks is characterized by some specific features, which arise primarily from the nature of the banking transactions. V. Merazchiev classifies four main characteristics of bank accounting (Merazchiev, Contemporary

Theoretical and Methodological Problems of Accounting in the Banks of the Republic of Bulgaria [Dissertation], 2007). These characteristics are derived depending on the time during which the accounting process of banking transactions is realized. They can be summarized as follows:

1. The specific nature of banking transactions is the basis for the manifestation of accounting methods in bank accounting units.
2. Banks shall apply different forms of accounting than those used by non-bank reporting units.
3. High degree of standardization of reporting actions and procedures for banks.
4. For a long time (until 1995) banks used a radically different chart of accounts for reporting by non-bank reporting entities.

The accounting in the banks is a basic system for the creation of a reporting information product both in the separate bank reporting unit and for the whole bank at the central level. The periodic consolidation of the reporting information produced by the bank branches is an important accounting procedure in the cash execution of the state budget.

The issue of covering the expenses of the BNB for the implementation of the functions of the cash execution of the state budget may also be raised in this line of reasoning. This bank must also cover all its expenses with its own income. All this is a reason to propose the idea that the user of the analytical banking information on the revenues and expenditures of the state budget should cover the costs of its establishment at the BNB. In this way, the relations between state subjects are placed on a market principle. Characterizing the main specifics of bank accounting is not the task of the author of this dissertation. The brief description made in this direction aims to show the potential capabilities of the system to provide sufficient volume and quality of information to meet its own information needs and the information needs of the account holder.

The following conclusions can be drawn from the analysis of the outlined issues:

1. Bank accounting is a system of reporting information, which is entirely based on the basic theoretical principles known to mankind for more than five centuries.
2. Comparisons with analytical systems in other branches of the socio-economic life in the country can indisputably establish some advantages of the banking accounting system.
3. The most significant advantage of the banking accounting system is the high level of information created, which is justified by the daily completion of the reporting process in the reporting and separate banking units.
4. The accounting realization of the relations banks - bank client in the bank reporting units ahead of time the accounting of the occurred change in the relations at the bank client.
5. On the basis of received banking information, the banking client may make a management decision before making the relevant accounting entries in its own accounting registers.

6. At the request of the Ministry of Finance, which is the main administrator of state budget funds, the BNB provides reporting information on the types of budget revenues and expenditures received, which has no cognitive significance for banks.

Chapter two

ACCOUNTING ASPECTS OF THE STATE BUDGET IN THE UNITS OF THE BANK SYSTEM

The content of the second main structural part of the dissertation is dedicated to the cash execution of the state budget in the BNB units and commercial banks. The issues of the characteristics of the revenues and expenditures of the state budget as objects of reporting in the units of the banking system, the organization of the cash realization of the state budget in the banks and the accounting of the operations on cash execution of the state budget are considered in a concrete plan.

2.1. Revenues of the state budget as an object of reporting in the Bulgarian National Bank and the system of commercial banks

Budget revenues are the primary main reporting object that arises in the bank's accounting space. The sources of these incomes are legal and natural persons who are situated, work and live on the territory of the whole country. The managing authorities in the budget system must create favorable conditions for the rapid, unhindered and without additional efforts on the part of importers accumulation of budget revenues. The main subjects for the practical implementation of the revenue budget process are the National Revenue Agency, the Customs Agency, the BNB and the commercial banks. The accumulation of budget revenues engages these entities to a much greater extent than their commitment to the implementation of the expenditure side of the budget process.

"Revenues are cash receipts for the respective budget year from taxes, social security contributions, other contributions, fees, fines, penalties and penalties, confiscated assets, interest, dividends and other income from financial assets, as well as all other net cash receipts of budgetary organizations, arising from the sale and use of non-financial assets and the provision of services "(Public Finance Act, 2013). In other sources the following definition of the term budget revenues is given: "Budget revenues are funds received gratuitously in accordance with the legislation of the country at the disposal of public authorities in order to solve public tasks that provide prerequisites for realization of fundamental state functions "(Lilova, Radulova, & Stefanov, 2016).

"The essence of state revenues can be considered from different points of view, ie. from economic, monetary and legal "(Hristov, 2013). From an economic point of view, this is a form of income distribution and redistribution. From a monetary point of view, government revenues are an expression of incoming cash flows. The third aspect for determining the nature of state revenues (legal) complements the previous definition with the fact that the movement of money is based on existing laws, regulations, rules and other regulations related to these laws. This definition of "government revenue" is much closer to its essence.

Due to the fact that the study of "budget revenues" is carried out from the point of view of banks as an entity involved in the budget process, the definition of the concept in question can be formulated as follows: **These are grants to the state, intended to finance its functions.**

The state, state bodies, municipalities and budget organizations are the main budget subjects in the budget system of the Republic of Bulgaria. The terms "budget revenue" and "budget expenditure" have so far been used only from the point of view of these entities. The units of the banking system also take an active part in the budget process. In these banking units the accounting of a part of the budget process is carried out. For banking reporting units, cash inflows from taxpayers cannot be classified as income (The conceptual framework for financial reporting defines income as “an increase in assets or a decrease in liabilities that results in an increase in equity, otherwise from one relating to contributions from the holders of claims to equity”(Bozhkov, 02/2019)). These are cash receipts on the account of a bank client. As such, they are part of passive banking operations and, more precisely, they are operations for attracting foreign money capital. The identification of the funds received in the bank at the expense of the state budget with revenues gives grounds for the bank accountants to characterize this reporting object with accounts from section 7 Revenues. The accounts in this section are intended only for accounting of the revenues of the accounting unit, which carries out the accounting process. The use of accounts from section 7 for accounting of the state budget revenues in the banks leads to mixing of the revenues of the bank accounting units with the budget revenues, which by their nature are foreign income and not of the bank. The correct accounting characteristic of the cash inflows in the banking units at the expense of budget entities is that they are perceived as a passive banking operation, which increases the amount of attracted bank capital and their accounting is done through an account from section 1 Capital accounts of The approximate bank chart of accounts². With such an attitude to the reporting object "budget revenue" the reporting process carried out in the banking units is in full compliance with the characteristics of the accounts used and the nature of business operations.

The term “cash execution of the budget” has been introduced in the budget terminology, which is related to the implementation of the budget process in the bank. Although in this case it is not a specific cash transaction, due to the fact that the bank is perceived as a kind of treasury of the state budget, this stage of the budget process has received this name.

The budget revenues of the state as a reporting object are subject to accounting and information characteristics except in the budget subjects and in the units of the banking system. Banks actively participate in the implementation of the budget process in its two parts - revenue and expenditure. It can definitely be argued that the participation of banks in the implementation of the revenue side of the state budget is greater and more responsible.

² The idea to report the revenues and expenditures of the state and local budgets on accounts from section one is presented in the textbook on Bank Accounting, published in 2007 by AI "Tsenov" - Svishtov, and then in the textbook on Budget Accounting, issued in 2009 by AI "Tsenov" - Svishtov. With the present scientific development the author of the dissertation aims to upgrade the presented author's ideas.

Based on the analysis of the state budget revenues in their cash realization in the units of the banking system, the following main conclusions can be made:

1. The BNB is the main and most important banking entity in the cash realization of the revenue part of the state budget.
2. Numerous units of commercial banks also actively participate in the cash execution of the revenues from the state budget.
3. The accounting and information interest of the banks, which carry out the cash realization of the revenues under the state budget, shall be determined only from the point of view of the attracted bank capital.
4. Unlike the attracted bank capital from non-budgetary sources - legal entities and individuals, the budgetary monetary resource must be reported by types of budget revenues, which analytical reporting information is needed by the budgetary entity - the Ministry of Finance.
5. During the cash execution of the state budget revenues, daily transfer banking operations arise in the banks, through which the budget revenues are summarized and accumulated at the BNB Central Office.
6. The BNB Central Office is able, at any time, to provide information on the cash execution of the revenue part of the state budget, as well as on its periodic realization (month, quarter and year).
7. For the banks this reporting object is not income, which means that its accounting cannot be done through accounts from section 7 Revenues of the chart of accounts.
8. For the bank reporting-separate units this reporting object represents paid-in funds from different bank clients, which increases the amount of the attracted bank capital.

2.2. Expenditures of the state budget as a reporting object in the bank system

Budget expenditures are the second main reporting object in the budget process. The implementation of all functions and tasks by the budget subjects depends on it. The financing of the state budget expenditures is directly dependent on the volume of the received budget revenues, which can be defined as a primary budget reporting object. And although the budget expenditures are as a secondary reporting object, their significance for the budget process is not less than that of the budget revenues. Moreover, the quality of the budget service provided depends to a very large extent on them.

"The expenditure system is a set of directions and elements for financial support of state functions, through which the redistribution of national income is carried out in accordance with the goals and objectives of economic development" (Lilova, Radulova, & Stefanov, 2016).

The concept of cash budget expenditure arises at the time of payment of funds from the bank account of the state in which the accumulated funds are accumulated by taxpayers and

other bank customers. Each payment from this account (recording on its debit) is the occurrence of a budget expenditure cash transaction. Before the bank transaction for payment from the bank account of the state arises, it is necessary for the administrator of funds on this account to be convinced of the legality and expediency of the respective payment. This conviction is certified by a signature on the payment document, which orders the payment from the bank account of the state. This is the main way of realizing the state's cash expenditures. In the budget practice there is a second way for cash realization of the expenditure budget operation through the so-called budget credit. This concept has nothing to do with the concept of "loan". In its essence, it represents the granting of a right by a spending unit at a higher level to make a payment from the bank account of the state budget to a lower-level spending unit. This is possible provided that these expenditures are provided for in the State Budget Act for the current budget year. Payment in case of an open budget loan is made in the presence of a balance on the bank account of the state in the Central Office of the BNB. If there is no sufficient balance on this account, the payment from it will be postponed until the amount of its credit is greater than the amount of the indexed payment.

Accounting information for the different types of expenses must be created in the units of the banking system. The detailing of the reporting object "budget expenditures" with a view to its more complete information characterization should be done in two directions: the cash budget expenditures and the actual budget expenditures. The unified budget classification gives grounds for performing a detailed information characteristic of the budget expenditures in both directions. The regulated classification of budget expenditures in section two by economic type is the basis for classification of actual expenditures in the budget system. This is the activity of budget entities, where expenditures are reported on an accrual basis.

The relations of subjects of the budget system with units of the banking system on the occasion of the cash realization of the expenditure side of the state budget are of the type of relations between a bank client, a legal entity and a unit of the banking system. In concrete terms, it is a question of the emergence of a bank operation for payment from an open bank account for a bank client. In order for this payment to occur, it is necessary, first, to have a sufficient balance on the bank customer's account and to obtain the consent of the bank customer holding this account. Banking servicing of budget entities and especially of those as financing budget entities (Ministry of Finance and Municipalities) requires more attention on the part of the servicing banking unit. This participation in the banking servicing of the financing budget subjects legitimizes the units of the banking system as a direct participant in the process of cash realization of the budget process in the country.

Today, both banks and budget entities operate in a free market. This implies that in the event of any mutual service between the two entities, there must be a monetary relationship. For a long time, the banking services of the budget subjects were provided free of charge. Even in the current regulations there are regulations for free banking services for budget banking entities. In Art. 151, para. 3 of the Public Finance Act states: "Banks service the accounts and payments of budgetary organizations free of charge,..." (Public Finance Act, 2013). And here there is a paradox. The state, through its legislative body (the National Assembly), determines that banks that are established on a shareholder basis (with the exception of the BNB only)

operate without payment. This is by no means in line with the principles of market relations. All this is sufficient reason to bring to the fore the opinion that the relations of banks with all budget entities, incl. and with financing such bank customers (Ministry of Finance and Municipalities), must be placed in the conditions of market relations. The value of the banking service for the servicing of the financing budgetary entities must be determined by mutual agreement between the banking and the budgetary entity. The specific price of this relationship depends primarily on supply and demand. In this case, this price will be higher than the price applied in the banking services of non-budgetary legal entities. The payment of the banking service by the financing budget subjects (the Ministry of Finance and the municipalities) will increase the volume of the budget expenditures under the state and municipal budgets. In any case, this increase in budget expenditures will be much smaller than the economic expenditures if only the activity for the analytical reporting of budget revenues and expenditures is carried out independently.

The participation of the banks in the cash realization of the expenditure side of the state budget is a reason to draw the following main conclusions:

1. The Central Office of the BNB is the banking entity in which the operation for the cash realization of the state budget expenditures arises and is carried out.
2. The essence of the cash expenditure of the state budget cannot be identified with the concept of "expenditure" from the point of view of the bank's interest.
3. For the bank accounting unit, the occurrence of the cash budget expenditure is an operation for payment of amounts from the account of a bank client, which is essentially a reduction of the attracted bank capital.
4. The relations between the banks and the financing budget subjects on the occasion of the implementation of the expenditure budget cash operation must be placed in the conditions of the market relations.
5. Each specific execution of a banking operation for payment of amounts from the single bank account of the state in the BNB Central Office is preceded by a number of control procedures regarding the legality and expediency of the budget expenditure.
6. The responsibilities that accompany the reporting process for this reporting entity are very large and they must be shared by the banking entities involved in this process.
7. The bank operation for reporting cash expenditure on the state budget may arise only on condition that an operation on receipt of funds on the account of the state in the Central Office of the BNB has been performed before it.
8. The single bank account of the state does not differ from the bank accounts of all other bank clients - legal entities.

2.3. Organization of the cash realization of the state budget in the banks

2.3.1. The treasury single account in the cash execution of the state budget

The single account system has been applied in the budget public space since 2000. With a deliberate instruction of the Ministry of Finance and the Central Management of the Bulgarian National Bank for application of BDS №91-00-0292 / 01.09.2000 the beginning of the use of this concept in the budget system of the Republic of Bulgaria was set. The Governing Council of the Bulgarian National Bank adopted a special unified banking standard (Instruction of the BNB and the Ministry of Finance for servicing accounts of budgetary organizations and budget payments), which determined the procedure and manner of transition to servicing payments and transit accounts of those included in the system of "Treasury Single Account" budget organizations.

The essence of the system of the "Treasury Single Account" is expressed in the centralization of the received budget revenues in many banking units throughout the country (primarily bank branches of commercial banks) in one bank account of the state in the Central Office of the Bulgarian National Bank.

The term 'account' derives from the 'accounting accounts' method, which has been the main way of carrying out the accounting process in the economy for more than five centuries. When using this term in other phrases, the essence of the term "accounting account" must always be borne in mind. The use of this term in the phrase "single budget account" directs the reader to compare revenues and expenditures in the budget system on one account. And then, when it comes to cash receipts and payments at the expense of the state budget in the banking system, this concept should guide us to a bank account for the state, opened and maintained in the Bulgarian National Bank and commercial banks. This account in a bank reporting unit reports attracted foreign monetary resources, which increases the capital base of the bank. In this situation, the accounting account, which must be used to report the attracted budgetary resources in the banks in favor of the state, should be present in section one of the chart of accounts of the respective bank. This statement contradicts the long-standing view of the banking specialists regarding the inclusion of accounts for accounting of the attracted foreign monetary resource in favor of budget subjects in the bank chart of accounts. For a long time, the accounts for reporting revenues and payments on behalf of the state and other budget entities were included in sections **6 Expenditure accounts** and **7 Revenue accounts**.

The "treasury single account" system should be seen as part of the process of improving the cash execution of the state budget. This system aims to provide timely, complete and reliable information on the cash implementation of the budget process related to the implementation of the state budget. This is a bank accounting information for cash realization of the state budget, which is used to manage the budget process by both banks and budget management bodies.

The characteristic of the "Treasury Single Account" is the basis for the following more important summaries:

1. The single account is related to the cash realization of the budget process in the system of the state budget.

2. The name "single" is indicative of the fact that the wrong approach in banking accounting practice is being overcome for the use of accounts from sections six and seven of the bank chart of accounts for accounting of cash payments and receipts at the expense of the state budget.
3. The definition of 'single' used for this account cannot be considered to be the most accurate, as in this case the terms 'transit account' and 'cash account' are used in parallel with the name 'single account'.
4. For the budgetary process implemented in the banking system, it is preferable to use the name "budget account". This account identifies in the banks the relations with two budget subjects: the Ministry of Finance and the municipalities.
5. The budget bank account is analogous to all other bank accounts of bank clients - legal entities, to which funds are deposited and from which payments are made at the request of the account holder.
6. The budget bank account is an account for perpetual investments in the bank and is an account for reporting attracted foreign monetary resources. For accounting purposes, this account should be indicated in the bank chart of accounts, in **section 1 Capital accounts**.
7. The account will be credited when reporting a bank operation for received funds on it and will be debited in all cases of payment by it. The crediting is in the accounting of an operation for cash execution of the revenue part of the budget, and will be debited for reporting of the cash expenditure budget operation. The account can only have a credit balance, which will show the amount of the bank debt to the budgetary entity in whose name this account is opened.

2.3.2. System of electronic budget payments (SEBRA)

The payments of the participants included in the Treasury Single Account system were regulated by a special banking unified standard developed by KUBS and adopted by the Governing Council of the BNB Central Office, namely BUS 1302000 Budget Payments. In order to carry out automatic control over the payments initiated by the authorizing officer, an **Electronic Budget Payments System (SEBRA)** was developed and introduced in banking practice. Through this system, payments are managed within pre-set limits. The system can be used for payments from the central budget, from European Union funds³, from accounts for foreign funds, as well as recovery of overpaid revenues from administrators of public receivables.

The main functions of SEBRA can be summarized in the following several directions:

- accepts from the BNB information on the payment limits of the first-level spending units and the cash payments made by them to the BNB;

³ European Union funds are covered in point 2.5. Bank accounts for European Union funds and foreign funds.

- accepts information on budget payment orders initiated through commercial banks;
- provides an opportunity for the primary and authorized secondary spending units to distribute the payment limit among their subordinates, as well as to approve and refuse the payment;
- realizes the connection with BISERA for execution of the approved payments, directs them for settlement and receives information from it about the results;
- prepares for receiving from the commercial banks information on the status of each payment initiated by them, as well as for permits and free limit for payment of each authorizing officer with whom they serve;
- provides detailed and summarized reports for the needs of the Ministry of Finance and the first-level spending units.

Payments through SEBRA are made within a certain limit for the primary and secondary spending units, as the Ministry of Finance determines the limits for the primary system. The limits for authorized secondary spending units are set and updated by the primary spending units.

Each specific budget payment is made at the initiative of a budget entity, which submits to the servicing bank "Budget payment order". Initiated payments through SEBRA go through several conditional technological procedures.

Based on the analysis performed in this part of the development, the following conclusions can be drawn:

1. The electronic budget payment system is not a stand-alone payment system. The implementation of the envisaged procedures is indicative of the fact that special attention is paid to the spending of the centralized monetary fund of the state.
2. SEBRA is oriented mainly towards the control over the payment process at the expense of state funds.
3. Payments through SEBRA shall be made in the conditions of the budget limitation, as the specific limits for each budget entity shall be determined by the Ministry of Finance and within the regulated budget expenditures in the State Budget Act for the current budget year approved by the National Assembly.
4. SEBRA enables budget subjects, which are most interested in the timely implementation of payments in the budget system, to initiate specific payments at their expense.
5. Payments to SEBRA are made both within the pre-set limit and within the funds received on the Treasury Single Account of the state budget.
6. Participants in SEBRA are several banking entities and bank addressable units. The actions taken to improve the technological procedures for the implementation of the payment process through SEBRA should be reflected in each participant in these payments.

2.4. Problems and opportunities for optimization in accounting of the cash execution of the state budget in the units of the bank system

The individual accounting characteristic of each reporting object is realized through the method of "accounting accounts", which method in two different approaches provides information for the better perception of each reporting object. These approaches are for synthetic and analytical accounting. The first approach provides accounting characteristics in a generalized form, and the second - in a detailed (components, by individual types) relationship. The practical implementation of the method "accounting accounts" is carried out through a pre-developed and approved list of accounting accounts, arranged in a systematic manner in compliance with certain principles and logical sequence. In accounting terminology, this special list of accounts is known as the 'chart of accounts'.

With the entry into force of the then Accounting Act (Accounting Act, 1991) in 1991, the beginning of a mandatory unified approach to the use of an accounting chart by all independent accounting units required to perform accounting through bilateral accounting. On the basis of this law, a special commission of specialists from scientists and practitioners in the field of accounting developed in a short time a relatively new accounting standard from accounting accounts, called "National Chart of Accounts". The Accounting Act (Accounting Act, 1991) of 1991 obliged all accounting units to transform their accounting activities from the accounting accounts used so far under the new National Chart of Accounts by April 1, 1991. This legal requirement was met by almost all reporting entities. operating on the territory of the Republic of Bulgaria, incl. and from all budget reporting entities. Exceptions to this implementation of the law are made only by the banking reporting units.

Until the entry into force of the next Accounting Act (Accounting Act, 2001), four different chart of accounts are used simultaneously in the units of the banking system, despite the fact that the activity of the individual banking entities is homogeneous. These chart of accounts for reporting on banking activities are the BNB Chart of Accounts, the Bulgarian Foreign Trade Bank Chart of Accounts, the State Savings Bank Chart of Accounts and the Commercial Banks Chart of Accounts.

In compliance with the requirements of the Accounting Act (Accounting Act, 1991) and the main provisions of the National Chart of Accounts, which non-bank reporting units have been using since April 1, 1991, KUBS developed and approved the National Bank Chart of Accounts. effective from 5 June 1995. This accounting standard refutes the long-held opinion of bank accountants that a chart of accounts that is used by non-bank accountants cannot be used in banking accounting practice.

In the current legal framework regarding the chart of accounts, the BNB and the individual commercial banks should approve individual chart of accounts for all reporting units operating within the individual bank. Practice shows that the individual chart of accounts approved by the banks' headquarters does not deviate significantly from the National Bank Chart of Accounts, developed by CUBS and used in banking practice since 1995.

Since 2007, the Sample Bank Chart of Accounts⁴ has been in use in the public space and in higher education in Bulgaria (Merazchiev, Sample Bank Chart of Accounts, 2007). This general bank chart of accounts overcomes the significant differences between the individual chart of accounts of the banks currently operating in the country.

This part of the study presents the accounting of the funds paid by the taxpayers in favor of the state and their centralization at the expense of the Ministry of Finance. In addition, a model for accounting in the implementation of the expenditure budget cash operation is presented.

The characteristics and the analysis of the accounting model for the cash execution of the state budget in the units of the banking system give grounds for formulating the following conclusions:

1. The main bank accounting account at synthetic level, which should take into account the relationship between banks and the Ministry of Finance on the cash execution of the state budget, is account **1721 Accepted funds in budget accounts of the Central Budget in BGN**, opened and maintained in the accounting of the Central Office of the BNB.
2. Account **1721 Accepted funds on budget accounts of the Central Budget in BGN** by its characteristics is an account for reporting bank capital and is included in section 1 Capital accounts, group 17 Attracted funds on current and other accounts in BGN.
3. The balance on account **1721 Accepted funds on budget accounts of the Central Budget in BGN** can only be credit, which will show the amount of the bank's liability to the bank client - holder of this bank account - the Ministry of Finance as chief administrator of funds on this budget.
4. All payments from account **1721 Accepted funds on budget accounts of the Central Budget in BGN**, regardless of the technology for their realization, shall be made, provided that there is a sufficient balance on it.
5. The payments of funds at the expense of the state budget are subject to preliminary control by a number of specialized control bodies, which are significantly related to the budget system and partly to the units of the banking system.
6. The method of centralization of the revenues from the state budget in functioning banking units on the territory of the whole country is the basis of the cash realization of the revenue part of the state budget.
7. The accounting banking system must provide information on the types of revenues and expenditures of the state budget, which have received their cash realization in the units of the banking system. This analytical reporting is performed from the point of view of satisfying the information interest of the bank client - the Ministry of Finance.

⁴ The considerations in the dissertation are based on an analysis of this Model Bank Chart of Accounts (see Appendix №3).

8. The performed banking operations for accumulation of the budget receipts and their spending in practice is cash realization of the state budget. The BNB is able to provide complete and accurate information on the cash execution of the state budget throughout the budget year.

2.5. Practical aspects in the reporting of European Union funds and foreign accounts in the bank system

The payments of the Republic of Bulgaria to the budget of the European Union give rise to banking operations at the Central Office of the BNB. For this purpose, a bank account is opened in this bank in the name of the European Commission. As the funds in this account must be denominated in the currency of the European Community, this bank account should be foreign currency and provided for in group **18 Borrowings on current and other accounts in foreign currency**, subgroup **182 Borrowings on budget accounts in foreign currency**.

With the entry into force of the Public Finance Act (Public Finance Act, 2013) of 2014, the financial relations of the Republic of Bulgaria with the general budget of the European Union and with other international programs and treaties received their normative regulation from the point of view of national legislation. is in line with current European norms and rules in this area.

The reverse direction of the movement of funds from the European Union to Bulgaria is related to the financing of various costs under international agreements and programs. In the practice of the European Union there are many such programs, which aim to provide financial assistance to various sectors of the economy of the member states of the European Union, including and providing financial assistance for the social development of these countries.

Accounts for funds from the European Union and those for foreign funds are not included in the state budget, municipal budgets and other budgets that are part of the consolidated fiscal program. Although they are not a budgetary resource, they are managed in most cases by budgetary entities that are authorized by the state or municipalities to exercise management functions over these specific financial resources.

Until the adoption of the euro as the national currency of the Republic of Bulgaria, the funds to be secured in the bank account opened at the BNB Central Office, of which the authorized management entity will be the holder, must be denominated in BGN.

The following main conclusions can be drawn from the characteristics of the accounts for funds from the general budget of the European Union and for foreign funds:

1. The accounts for funds from the general budget of the European Union are present in the accounting banking practice of the Republic of Bulgaria after 2007, when the Republic of Bulgaria was accepted as a full member of this Union.
2. The accounts for foreign funds are bank accounts for financial servicing of bilateral agreements with a foreign state or institution from abroad for the purpose of rendering

financial assistance to a branch of the Bulgarian economy or to a certain social sphere of the country.

3. Managing entities and holders of these bank accounts are authorized legal or natural persons by bodies of the European Union and by the state, which is a financial source of funds for financing the costs under the concluded contract for support of Bulgarian entities.
4. Two types of bank accounts for funds from the general budget of the European Union shall be opened in the units of the Bulgarian banking system. One is the bank account opened at the BNB Central Office in the name of the European Commission, which is usually denominated in euros. The second type of bank accounts are opened at the BNB Central Office and numerous branches of commercial banks for the purpose of financial servicing of approved programs and contracts for support of Bulgarian entities.
5. All accounting accounts for European Union funds and foreign funds are accounts for reporting borrowed funds in banks and from the point of view of the balance sheet are **passive** and can be present in the accounting bank registers only with a credit balance, which will show the amount of the bank liability to the account holder.
6. In the bank accounts for financial servicing of international programs and contracts, banking operations with the nature of payment predominate. These operations require ex-ante, ongoing and ex-post controls by national and European control authorities. The units of the banking system have limited control powers over these bank accounts.
7. Payments from open bank accounts for European Union funds and for foreign funds shall be made up to the amount of their credit balance. If the account does not have sufficient balance to make the indexed payment, it is not made, although there is a reason for this payment to a sufficient extent.
8. Upon full implementation of the program or contract for which the bank account has been opened and there is a credit balance (unused funds) on the account, the account will be closed and the balance on it will be returned to the one who provided these funds.

Chapter three

ACCOUNTING ASPECTS OF THE MUNICIPAL BUDGETS IN THE UNITS OF THE BANK SYSTEM

3.1. Characteristics of the relations between the municipalities and the banks

Municipal budgets are an important part of the budget system in the Republic of Bulgaria. As an object of accounting, they are present in all functioning municipalities in the country and in at least as many bank branches. The activity of each municipality includes the general formation of an independent budget and financing of various expenses, through which the aim is to ensure a normal life of the population of the region.

Municipalities are complex management entities, the activity of which is related to the formation of monetary resources and their spending. Due to the fact that no material goods are produced here, the budgetary principle is the main way to form the necessary financial resources for financing the performed municipal functions. The municipality, as an administrative-managerial unit, is not able to carry out on its own the great variety of activities arising from its constitutional powers. For this reason, each municipality has the right to build specific business entities to implement a particular activity. These are enterprises for carrying out educational activities (kindergartens and schools), maintaining order in the settlement (municipal police), cleaning the settlement (municipal cleaning enterprises) and other specific municipal structures depending on the specifics of the area and the views of the municipal guide. The activity of the functioning municipal enterprises is related to the spending of a large part of the accumulated budget resource. In each municipality there is a certain number of administrative staff, for the maintenance of which funds are also needed, which are provided through the municipal budget.

The issue of cash execution of local⁵ budgets should be analyzed in terms of the relationship between the individual municipality and the servicing banking institution.

Cash execution of the budget has a one-time manifestation and it should be associated only with the accumulation of budget revenues in an open bank account and payment of funds from this account. In local budgets, municipalities are the main budget entities, where all local taxes, fees and other revenues are accumulated, which are a source for financing all budget expenditures of these budget entities. So, when studying the issue of the relationship between the municipalities, the relationship between the municipalities and the bank on the occasion of the accumulation of budget revenues and the payment of funds to finance budget expenditures should be examined first of all. These banking operations in budget theory and practice are known as "cash execution of the budget".

The unified budget classification approved by the Minister of Finance at the beginning of each year must be used for the analytical reporting of the budget revenues received by the banks. Due to the fact that the tax legislation in our country often changes, the budget classification is

⁵ In the current scientific study, the terms "local budgets" and "municipal budgets" are used interchangeably.

also changing. This is in connection with the annual adoption of the report on the implementation of the budget for the past budget year.

The detailization of the reporting objects must be done from the point of view of the interests of the budgetary entity. In terms of municipal revenues, their analytical reporting to banks contradicts their economic interest. Nevertheless, this analytical reporting must be performed in the bank's reporting units.

The relations between the banks and the municipalities regarding the cash execution of the budget should not be considered outside the context of the relations of the banks with all bank clients - legal entities and individuals. At the same time, the available peculiarities in the participation of banks in the process of cash execution of the budget must be taken into account. And above all, not to forget the ongoing analytical reporting process in banks in terms of budget revenues. The bank must be remunerated for this activity. In the conditions of market relations this is obligatory.

As a result of the analysis on the issue of the characteristics of the relations between the municipalities and the banks, several main conclusions can be formulated:

1. The cash realization of the municipal budgets is carried out by opening a bank account in a branch of a commercial bank, approved by the BNB through "Lists of codes, accounts and servicing banks" (finance, n.d.) for the respective year. This is done according to a procedure regulated by the bank for all legal entities.
2. The receipt of funds on the account of the municipality shall be made on the initiative of their payers, who are the taxable persons to the municipality and the Minister of Finance, who is the administrator of funds on the central budget.
3. The bank implements analytical accounting by types of budget revenues according to the unified budget classification. This analytical reporting process is carried out mainly from the point of view of the management interest of the bank client - the municipality.
4. The payment of funds from the bank account of the municipality shall be made through the explicit sanction of the administrator of these budget funds, which in this case is the elected mayor of the municipality.
5. Analytical accounting characteristics of the cash expenditures of the municipal budgets in the banks should not be performed, due to the fact that such information about the bank is not necessary.
6. Payments up to the amount of the balance on the municipality (the credit balance) may be made from the bank account of the municipality. Or the amount of cash expenditures in the budget is always within the received cash budget revenues.
7. For the cash realization of the municipal budgets in a unit of the banking system similar banking operations arise, as are present in all relations between the banks and legal entities.

3.2. Revenues of municipalities as a reporting object in the bank system

The cash execution of the municipal budgets is practically realized in two separate accounting units: the municipality and the servicing banking unit. The accounting characteristics of this process are performed in the bank-municipality sequence. The bank accounting unit is the primary accounting entity, where business operations arise and are carried out, which characterize changes in the budget process. The created bank reporting information is used to characterize the property status of the bank and as an outgoing reporting product is directed to the bank client (in this case it is the municipality). Here this information is the basis for the beginning of the accounting process regarding the budget cash realization of the municipal budget.

The manifestation of the revenues of the municipal budgets as a reporting object in the servicing banking unit is as a part of the passive banking operations and in particular as an operation for attracting foreign monetary resources. Or from the point of view of the banks, all operations on receipts of funds on an open bank account of a municipality is a passive banking operation, leading to an increase in the bank capital and ultimately to an increase in the capital base of each bank.

When characterizing the revenues of the municipalities as a reporting object in the bank, a comparison should be made with the reporting object “revenues of the state budget” in the units of the banking system. The differences can be systematized in the following several points:

1. The revenues of each municipality as a reporting object are present only in one banking unit, while the revenues of the state budget appear as a reporting object in the set of bank reporting-separate units.
2. Managers of the accumulated budget funds under the two budgets are the municipalities and the Ministry of Finance.
3. The time for the bank realization of the budget revenue from the moment of receipt of the funds on the account of the municipality until the receipt of information in the accounting of the municipality is shorter than the time for realization of the banking operation for the cash revenues of the state budget.
4. In the reporting object “revenues of the municipal budgets” no transfer banking operations arise, while in the second reporting object these operations are a daily banking practice.
5. With regard to the revenues for the municipal budgets, there is a theoretical possibility for the servicing bank to provide the holder of the bank account with one copy of the payment document, on the basis of which the banking operation has been realized. If this happens, then the bank does not need to perform analytical reporting by type of revenue of the municipal budget. This is not possible for the state budget.

By their nature, the revenues from fees for household waste, for the use of nurseries and kindergartens and other types of municipal fees are payments of the price of a service that the

municipality provides to its user. These payments to local budgets have a certain social significance. This social nature of the revenues in the form of municipal fees is a reason for them to be included in the group of budget revenues. For the servicing bank, where the bank account of the municipality is kept, to which the funds from the municipal fees have been received, this operation is a passive banking operation for increasing the attracted bank capital. This operation is part of many similar banking operations in which bank customers provide the bank with monetary resources for temporary storage and use. These cash inflows, other things being equal, are a prerequisite for an increase in bank revenues from a larger volume of active banking operations.

Each receipt of funds on an open account for a municipality in a bank accounting unit must be considered as part of the practical implementation of the budget process for its cash execution.

The funds from the subsidy for the municipal budgets determined by the legislator must ultimately be received in the bank, where the bank account of the municipality, recipient of the subsidy, has been opened. This provision of subsidies from the state to municipal budgets gives rise to translation relationships between different units of the banking system. In the specific case, direct participants in the interbank transfer relations are the Central Office of the BNB, the headquarters of the commercial bank and the bank branch in which the account of the municipality receiving the budget subsidy is kept.

The moment the transfer banking operation is reflected as a payment from the single account of the central budget, the cash expenditure operation arises at the BNB headquarters. Or for the central budget this is a cash budget expenditure, and for the servicing banking institution payment from a bank account, which reduces the bank debt to the holder of the bank account. At the headquarters of the commercial bank, which in this case is an intermediary for the implementation of the transfer banking operation, this is a purely banking operation and concerns only the settlement relations between the banking units. In the banking unit, the final recipient of the transferred amount of the subsidy is credited to the bank account of the municipality and at that moment the cash revenue operation for the municipal budget arises. For the servicing banking unit, this is a capital banking operation, which creates an obligation of the bank to the holder of the bank account.

The analysis of the issue of municipal budget revenues as the main reporting object in banks can be summarized by the following conclusions:

1. The noted differences between the revenues of the municipal budgets and the state budget in the previous statement may be considered as essential characteristics of the municipal budget revenues.
2. The volume of the accumulated budget revenues for the municipalities is mainly from the legislative tax policy of the state, implemented by the National Assembly on the initiative of the Council of Ministers.
3. In case of lack of revenues for the municipal budgets, transfers from the central budget of the state shall be provided, which may be for:

- a) a grant to finance activities delegated by the State;
 - b) general equalization subsidy for winter maintenance and snow clearing of municipal roads;
 - c) targeted capital expenditure subsidy;
 - d) other earmarked expenditure, including for local activities;
 - e) financial compensation from the State.
4. If the budget revenues of the municipality are insufficient even after the use of funds from the state budget, the municipality may also use a temporary interest-free loan from the state budget.
 5. The receipt of funds on the bank account of the municipality marks the beginning of the cash realization of the municipal budget.
 6. The cash execution of the revenues under the municipal budgets is the primary budget operation, which ensures the execution of the secondary operation for financing the municipal budget expenditures.
 7. In case of indisputable establishment of a larger amount paid in favor of the municipality, this amount may be returned to the petitioner or with it to compensate a future obligation of the same.

3.3. Expenditures of municipalities as a reporting object in the bank system

The budget expenditures incurred by the municipalities are directly related to the activities of a large part of the staff performing the functions of this budget entity. Part of the activity of this staff is related to control over the process of spending budget funds. This control activity of the municipal staff is provided in art. 47 of the Law on Public Procurement, where it is written: “The municipal budget is public and is controlled by the local community in accordance with the procedure determined by the municipal council and the competent bodies determined by law” (Public Finance Act, 2013). Unlike budget revenues, budget expenditures are the subject of much greater interest. This interest is determined both by the effect of the activity financed by them and by their lawful performance. This circumstance puts the budget expenditures of the municipalities in the circle of economic sites, which are constantly in front of the control bodies in the country. Such a control body is the National Audit Office (Law on the National Audit Office, 1995), established in the early 1990s, whose main activity is focused primarily on the financial activities of budget entities in the country.

For each cash budget expenditure, participants in the relationship are three reporting entities - the financing municipality and the budget enterprise, which implements the specific budget function for which budget funds, suppliers of goods and services are provided. The intermediary is the banking unit, where the accounts of the municipality and the budget enterprise are opened. The initiator for the emergence of any specific relationship of this kind is the financing municipality, for which this operation is related to the implementation of the

cash budget expenditure. For the budgetary undertaking, this operation should be defined as a revenue budget operation. For the third participant - the bank - there is a change in the source of funds deposited in an open bank account, as these funds have so far been owned by the municipality, and from that moment become the property of the budget enterprise. Or the change in the bank accounts of the two budget entities must be reflected in the bank reporting unit. The specific changes in these bank accounts are: reduction of the balance on the account of the municipality and receipt of funds on the bank account of the budget enterprise. The transfer of funds from one bank account to another such bank account does not cause any change in the bank's assets.

The characteristic of the concept of "cash expenditure of the municipal budget" from the point of view of bank participation in its practical implementation is the basis to make several main conclusions regarding this part of the budget process, which is carried out by municipalities and with the direct participation of banks:

1. For the bank this is not an expense, but a payment from a bank customer's account.
2. The accounting of the items "cash budget revenue" and "cash budget expenditure" in certain cases affects more than one banking unit.
3. The cash expenditure under the municipal budget in the bank reporting and separate units shall be reflected in the debit of the opened bank account for the municipality.
4. The accounting realization of the bank operation for payment from the account of the municipality is preceded by the performance of numerous control actions with regard to this budget reporting object. Banks do not participate in this control.
5. The banks shall exercise only formal control over the payment document, on the basis of which the banking operation for the payment from the account of the municipality arises.
6. The bank operation for payment from the account shall be obligatorily performed from the respective bank account of the municipality.
7. The bank reporting-separate unit will not start the operation for payment from the bank account of the municipality only in the cases when the balance (the credit balance) on it is in an amount less than the amount of the requested payment.
8. Payments made from a budget bank client's account shall not differ from payments from accounts opened with banks for non-budget bank clients.

3.4. Problems and opportunities for optimization in accounting of the cash execution of municipal budgets in the units of the bank system

The implementation of the accounting process in the bank accounting units for the cash execution of municipal budgets has the task of satisfying the information needs of at least three entities: the bank, the bank client and the control bodies. The management and accounting staff of each bank must make constant efforts to meet these information needs as much as possible.

The information needs of the bank are regulated in the current Accounting Act (Accounting Act, 2015) and they are valid for absolutely every reporting unit. For the municipality as a bank client, when these banking operations related to the cash realization of the municipal budget occur, a change in its property and financial condition also occurs. The cash execution of the municipal budget also affects the relations between the municipality and a specific banking unit. Any receipt of funds in the bank account of the municipality gives rise to a claim of the municipality and a liability of the bank. Upon payment of the funds from this account, there is an inverse change in the relationship between these two reporting entities. In this case the receivables of the municipalities from the bank and the liabilities of the banking entity to the municipality decrease. These changes in the bank-municipality relationship are reflected in the accounting records of the two reporting entities.

For the accounting characterization of the relations between the banks and the municipalities in the accounting characteristics of the banking units, where a bank account of the municipality is opened, which reflects all receipts of funds and payments, account **1724 Attracted funds on budget accounts of local budgets in BGN**. From the point of view of the chart of accounts, this account is a passive balance sheet. It is credited when recording a banking operation for the receipt of funds in favor of the municipality, and is debited when reporting a payment at the expense of the municipal budget. As an accounting bank account under Section **1 Capital Accounts**, this account is a capital account and in particular an account for reporting the monetary resources attracted by bank customers. This account always shows the amount of the bank debt to the budget bank client "**Municipality X**".

The use of account **1724 Attracted funds on budget accounts of local budgets in BGN** in the accounting process, carried out in a separate banking unit, marks the beginning of the cash realization of the municipal budget. From this synthetic accounting account one can always get information about the funds received so far in the form of revenues for the municipality and the amounts paid by them as expenditures of the municipal budget. This accounting banking information has a generalized synthetic form and satisfies the information needs of the management budget entity - the municipality in a global (general) aspect. The budgetary authority also needs detailed information on the two main reporting objects - budget revenues and budget expenditures. Such information can only be obtained through the analytical accounting system. All this raises the issue of analytical reporting of revenues and expenditures in the cash execution of municipal budgets in banking service units.

The accounting realization of the cash execution of the revenue part of the municipal budgets is carried out only in one banking unit, while in the state budget the similar banking operation is carried out in many banking units. This also determines the possibility for the budget entity, the main executor of the respective budget, to receive from the bank a copy of the payment document, on the basis of which the banking operation has been performed for the received funds in favor of the budget. And since the analytical accounting process in the bank accounting units is carried out only in the interest of the municipality, as a bank client, the question arises whether such analytical reporting should be performed in the banking branch, where the bank is opened and maintained. synthetic account of the municipality. In this case, an opinion can be expressed that there is a real opportunity to facilitate the bank's accounting

process by dropping the analytical reporting in characterizing the cash execution of the revenue side of municipal budgets. On the basis of the copies of the payment documents received from the servicing banking unit, which are grounds for performing the banking operation for the received funds on the bank account of the municipality, in the accounting of this budget entity it is quite possible to perform analytical accounting by types of collected budget income. This will fully satisfy the information needs of the municipality as a management body in relation to the cash execution of the municipal budget. The optimization of the analytical reporting by types of revenues of the municipal budgets in the servicing bank would possibly affect the volume of the expenses of the municipality, which it has to pay to the bank for the information provided to it.

Specific banking operations for the implementation of the expenditure side of the municipal budgets arise at the express will of the administrator of funds from the municipal budget. The official who is the manager of the funds from the municipal budgets is the mayor of the municipality, who through direct election of the population from the whole municipality has received the right to dispose of the financial assets of the municipality.

The expenditure budget cash operation in the bank arises at the moment of payment from the account of the municipality, according to the explicit written order of the mayor of the municipality (payment order). This expense must be reflected in the debit of the bank account of the municipality, which received the funds for the realization of the revenue part of the municipal budget (account **1724 Attracted funds from budget accounts of local budgets in BGN**). In the reporting banking unit, before the accounting entry is made for the incurred business operation for characterization of the cash budget expenditure, a formal control is performed with respect to the primary payment document. Provided that this payment document is completed and signed in accordance with the requirements, it is assumed that the forthcoming payment is essentially correct.

The characterized accounting model for reporting the cash revenues and expenditures of the municipal budgets is a reason to draw the following conclusions:

1. The terms "cash income" and "cash expenditure" in municipal budgets arise at the time of the banking operation for receipt and payment of funds from the bank account of the municipality.
2. The realization of the banking operation for the cash income under the municipal budget shall be carried out at the will of the taxable person and without control procedures.
3. A bank operation for cash expenditure under the municipal budget arises when a number of control procedures are carried out in advance, carried out primarily by budget entities. The bank performs only formal control over the payment document with which the banking operation was initiated.
4. The cash budget revenues in the banks need analytical accounting by types of revenues, according to the unified budget classification, which can be carried out only in the municipalities. Such a reporting process in the bank is not necessary for cash costs.

5. Payment of cash expenditure on the municipal budget is possible only if on account **1724 Attracted funds on budget accounts of local budgets in BGN**, Account Municipality "X" there is a sufficient balance of funds reported on its loan.

Conclusion

The results obtained from the present research can be summarized as follows:

1. Based on theoretical and practical studies, the specifics of accounting in banks as a source of information for managing the process of cash execution of state and municipal budgets have been substantiated. This information is needed primarily by the units of the budget system.
2. The specifics in the practical realization of the cash execution of the state and municipal budgets and their impact on the organized in this direction accounting process in the banks are differentiated.
3. Guidelines for improving the accounting process in banks, related to the revenues from the cash execution of the state and municipal budgets, are presented, and the emphasis in this direction is that these revenues in the banks should be reported as attracted resources and not as income. . An attempt has been made to upgrade the opinions expressed in the specialized literature in this direction by including additional synthetic accounts, which better meet the modern structure of the budget system in our country and the information needs of interested users of this information.
4. Arguments are presented for improvement of the accounting process in the banks, related to the payments from bank accounts of budgetary entities, which can be identified with an operation for payment of amounts from a bank client's account, which is essentially a reduction of the attracted bank capital, not a cost to the bank.
5. Reasonably proposed changes in the practical implementation of documentation, as one of the established methods of accounting in banks, related to the process of cash execution of state and municipal budgets, in order to streamline the overall activities of banks related to servicing this process.

IV. REPORT OF THE CONTRIBUTIONS OF THE DISSERTATION

The dissertation on "**Current accounting problems in the cash execution of state and municipal budgets in banks**" is devoted to an issue related to the information characteristics of the budget system in Bulgaria. Due to the fact that the banks participate very actively in the implementation of the budget process in the country, their role in the information provision of the budget is significant. All this presupposes that the accounting treatment of the two main budget objects (revenues and expenditures) should be carried out in full accordance with the theory of bank accounting.

The specific contributions that can be systematized from the development are in the following several directions:

1. The role of the units of the banking system in our country (BNB and commercial banks) in the process of cash execution of the state and municipal budgets is studied. The functions of the Bulgarian National Bank have been systematized with regard to the cash execution of the state budget of: current and managerial in order to rationalize the activity of this institution.
2. The importance of the accounting system as a basic information system for the purpose of managing the process of cash execution of the state and municipal budgets is outlined. The opinion is expressed and substantiated that the biggest advantage of the accounting process in banks is the high level of topicality of the created information, which is the basis for the implementation of effective management.
3. Based on a critical analysis of the current provisions on the reporting of the cash execution of the revenue of the state and municipal budgets in banks and the reference to the opinions of scientists who have worked in this field, it is argued that from the point of view of banking accounting process these funds represent an attracted resource. It is proposed to use synthetic accounting accounts, which correspond more fully both to the nature of this object of reporting and to the provisions of the applicable legislation (Public Finance Act).
4. Examining the relationship between revenues and expenditures in the state and municipal budgets, it is concluded that the terms "expenditure" and "cash budget expenditure" from the point of view of accounting in banks are not identical. As an object of accounting, the cash budget expenditures in the state and municipal budgets represent reductions of the attracted funds by making payments from the respective accounts.
5. Argued author's ideas are presented, related to the optimization of the process of analytical reporting of budget expenditures in banks in order to rationalize the practical implementation of this process.
6. An author's opinion has been formed and substantiated that the expenses of the banks for the realization of the cash execution of the budgets should be borne by the budget

subjects, which are direct users of the banking information for this process, as in practice the credit institutions are market-oriented enterprises.

V. LIST OF PUBLICATIONS RELATED TO THE DISSERTATION

1. Articles

- 1.1. Shishmanov, S. (2019). Banks and cash execution of state and municipal budgets: “Scientific research of doctoral students” Almanac, Ed. XII, 2019, Book 15, Academic edition „Tsenov“ – Svishtov, ISSN: 1313-6542.
- 1.2. Shishmanov, S. (2020). Revenues and expenses of the state budget as an object of reporting in BNB and commercial banks: “Scientific research of doctoral students” Almanac (in print).

2. Reports

- 2.1. Shishmanov, S. (2019). Payment intermediation of commercial banks in settling the relations between agricultural producers and the state and municipal budgets: International scientific-practical conference "State and problems in the management and development of agriculture" (Svishtov, 4th October 2019), Academic edition „Tsenov“ – Svishtov, ISBN: 978-954-23-1762-3.
- 2.2. Shishmanov, S. (2020). Integrated reporting as part of the banks' information system: E-collection of reports "Integrated Accounting in Enterprise Management", Academic edition „Tsenov“ – Svishtov, ISBN: 978-954-23-1920-7.

VI. DECLARATION OF ORIGINALITY AND RELIABILITY OF THE DISSERTATION

The undersigned doctoral student Stanislav Ivanov Shishmanov, in full-time education at the Department of Accounting at the Academy of Economics "Dimitar Apostolov Tsenov" - Svishtov,

DECLARE THAT:

The dissertation in a total volume of 200 pages on the topic: **Current accounting problems in the cash execution of the state and municipal budgets in banks** is the author's own scientific production. It uses author's ideas, texts and visualization through figures, observing all the requirements of the Copyright and Related Rights Act by duly quoting and referring to foreign author's opinions, as well as data. The results achieved in the dissertation and the scientific contributions are original and are borrowed from research and publications in which the author participates. Scientific results obtained and / or published by other authors are duly cited.

May 2021
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