

Current issues of accounting for the costs of shared-equity construction of real estate

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Abstract. The article discusses the problem of organizing and maintaining accounting of the developer's costs in the implementation of shared construction of real estate objects. Analyzed the current regulations providing for the methodology for accounting for costs using accounts 08 "Investments in non-current assets" and 20 "Basic production". It is concluded that the construction organization has the right to determine the accounting method independently, based on its own professional judgment and to consolidate it in the accounting policy.

Keywords: shared construction, costs, accounting, costs of ordinary activities, real estate, developer.

Shared construction is a type of construction of real estate (housing), in which a contractual relationship is drawn up between a developer (construction organization) and a participant in shared construction (an individual or legal entity).

Within the framework of the national project of housing affordability, the housing policy of the Russian Federation is aimed at increasing the pace and volume of construction of real estate objects on a shared basis, and the development of housing mortgages. The essence of shared construction is to reduce the risks associated with the high cost of housing construction, as well as to provide favorable conditions both for participants in shared construction (real estate is purchased at a lower cost, as a rule, with the possibility of payment by installments), and for developers¹⁰.

The Constitution of the Russian Federation states that "everyone has the right to housing" [1]. The constitutional right of citizens to housing obliges the state to create conditions for the implementation of this right. In addition, it acts as a legal basis for improving housing legislation, including in the field of accounting.

Legal relations between participants in shared construction are regulated by the Federal Law "On Participation in Shared Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation" № 214 - FZ dated December 30, 2004. (as revised on 12.30.2020).

Contract for participation in shared construction, in accordance with Art. 4 FZ № 214 are developers and participants in shared construction [2].

In Art. 2 of this Federal Law clearly defines the concept of "developer". So, a "developer" is a business company that has experience (at least three years) of participation in the construction (creation) of apartment buildings with a total area of at least five thousand square meters in total, if received in accordance with the procedure established by the legislation on urban planning activities, permits for the commissioning of such apartment buildings as a developer, and (or) a technical customer, and (or) a general contractor in accordance with a construction contract [2].

Unlike the concept of "developer" in Federal Law № 214-FZ there is no definition of "participant in shared construction", as well as the requirements for this party to the contract.

We believe, taking into account who is a participant in shared construction, two types of legal relations under an agreement for participation in shared construction should be distinguished and, accordingly, two categories of participants in shared construction:

1) consumer - a participant in shared construction is an individual who has entered into an agreement for participation in shared construction in order to meet personal (not related to entrepreneurial activities) needs for housing. At the same time, it is advisable to refer to the participants in shared construction as "consumers – individuals";

2) entrepreneurial - legal entities and individual entrepreneurs who acquire shared construction objects in order to carry out entrepreneurial activities act as participants in shared construction; these participants in shared construction can act as "consumers - entrepreneurs".

The object of shared construction, in accordance with Art. 2 FZ № 214, stands for "residential or non-residential premises, parking space, subject to transfer to a participant in shared construction after obtaining permission to commission an apartment building and (or) other real estate and which is part of the specified apartment building and (or) other object of real estate under construction (created) also with the attraction of funds of a participant in shared construction"[2].

Currently, one of the main requirements of an agreement for participation in shared construction is to determine the conditions for attracting funds from participants in shared construction, namely:

- a) fulfillment of the obligation to pay deductions (contributions) to the compensation fund;
- b) placement of funds of participants in shared construction on escrow accounts in

authorized banks, the requirements for which are defined in the Decree of the Government of the Russian Federation of 18.06.2018 № 697 "On the approval of criteria (requirements), which, in accordance with the Federal Law" On participation in the other real estate objects and on amendments to some legislative acts of the Russian Federation "must comply with authorized banks and banks that have the right to open escrow accounts for settlements under contracts of participation in shared construction" [3].

Cost accounting in construction is a rather complicated process. Despite the fact that it is conducted on the basis of general requirements and regulations, industry specifics must be taken into account. Among which are:

- 1) the duration and individuality of construction production, as a result of which the beginning of work and their completion refer to different reporting, including tax periods;
- 2) multi-stage work, which leads to the specifics of the formation and accounting of both expenses and income;
- 3) definition of the accounting object. It can be: a) a separate contract (an object for which there is separate documentation or an object for which income and expenses can be determined with a sufficient degree of reliability), b) one contract (all contracts are essentially related to a single object for which uniform accounting standards; contracts are bound by the order of execution - work is performed simultaneously).

The general accounting procedure in the construction sector is regulated by the following regulatory enactments [9]:

Federal Law "On Accounting" № 402 - FZ dated 21.12.2011;

Regulations on accounting and financial reporting in the Russian Federation, approved by order of the Ministry of Finance of the Russian Federation № 34n dated July 29, 1998.;

Regulation on accounting "Accounting policy of the organization" (PBU 1/2008), approved by order of the Ministry of Finance of the Russian Federation № 106n dated 06.10.2008.;

4. Regulation on accounting "Accounting for construction contracts" (PBU 2/2008) № 116 dated 24.10.2008.;

5. Accounting Regulations "Accounting for Fixed Assets" (PBU 6/01) № 26 of March 30, 2001.

One of the problematic issues of accounting is the determination of accounts for accounting for the developer's expenses under shared construction contracts. Specific accounts are not defined by the regulations of the Russian Federation Ministry of Finance.

Analyzing the current legislation and various points of view of modern experts in the field of shared construction, we come to the conclusion that the accounting of the developer's costs in shared construction can be carried out on two accounts: either on account 08 "Investments in non-current assets", or on account 20 "Main production".

From the point of view of a member of the Audit Chamber of Russia M. V. Arkhipova, the developer's reflection of the costs associated with the construction of the facility on account 08 "Investments in non-current assets" does not contradict the regulatory legal acts. From her point of view, the costs of objects, included in the future in the composition of fixed assets, in accordance with the Chart of accounts of financial and economic activities and the Instructions for its application should be accounted for on account 08 "Investments in non-current assets" [8].

In addition, this procedure for accounting for costs by the developer was approved by the Ministry of Finance of the Russian Federation in letter № 07-05-03/02 dated May 18, 2006, which states that "the developer's expenses related to the construction of construction projects, including shared construction facilities at the main developer, are reflected in accounting using account 08 "Investments in non-current assets" regardless of whether the construction is carried out by a contract or by an economic method".

Expert of the Legal Consulting Service GARANT N. Vakhromova and auditor, member of the RSA V. Gornostaev, referring to the above normative document, give the following procedure for accounting records for transactions under a shared construction agreement:

The content of the business transaction	Correspondence of invoices	
	Debit	Credit
Funds received from equity holders to escrow accounts	008	
Reflected the costs of the developer for the construction of the property	08	10.60.76
Reflected the amount of "incoming" VAT	19	60.76
The "input" VAT attributable to the construction of non-residential premises was deducted.	68	19
"Input" VAT attributable to the construction of residential premises is included in the cost of construction (subpar.1 of pa. 2 of art. 170 of the TCRF)	08	19
Finished objects built at the expense of the developer's own funds at cost were capitalized	43	08
Reflected the proceeds from the sale of objects of shared construction	62	90
VAT charged on the transfer of non-residential premises	90	68
Written off the cost of shared construction objects	90	43
Funds of equity holders from the bank were credited (part 6 of article 15.5 of Federal Law № 214 - FZ)	51	62
Reflected cash outflow from escrow accounts		008

In accordance with clause 10 of the Accounting Regulations "Accounting for construction contracts" "costs under the contract are recognized by the organization as costs for ordinary activities" [7]: direct costs, that is, costs directly related to the execution of the contract; indirect costs under the contract, namely the part of the organization's total costs for the execution of contracts attributable to a specific contract; other expenses - expenses not related to construction.

In accordance with clause 5 of the Accounting Regulations "Organization Expenses" (PBU 10/99), expenses for ordinary activities are expenses for the manufacture and sale of products, the purchase and sale of goods, as well as the performance of work and the provision of services [5].

To summarize information about the costs of production of products (works, services), which are the purpose of creating an organization, account 20 "Main production" is intended. In accordance with the Order of the Ministry of Finance of the Russian Federation of 31.10.2000. № 94n "On approval of the Chart of accounts for accounting of financial and economic activities of organizations and the Instructions for its application" (as revised on 08.11.2010), this account, in particular, is used, including, and to account for the costs of construction and installation work.

The debit of account 20 "Main production" reflects the direct costs associated directly with the release of products, the performance of work and the provision of services, the credit reflects the amount of the actual cost of the completed production of products, works and services performed [4].

Consequently, account 20 "Main production" reflects the organization's expenses for ordinary activities, which form the cost of products (works, services) and which subsequently reduce the corresponding income from sales.

From our point of view, the accounting of expenses on account 20 "Main production" is legitimate when the developer intends to register ownership of each individual apartment of the built house in his own name, and then sell these apartments. In this case, the constructed apartments will be regarded as finished products, the construction costs form the actual cost of the finished product.

The lack of registration of the developer's ownership of the shared construction object, therefore, does not make it possible to reflect the construction costs in the accounting records as expenses for ordinary activities.

In the course of the analysis of this problem, we came to the conclusion that the

accounting of costs for shared construction by the developer is allowed by the current legislation as using account 08 "Investments in non-current assets", account 20 "Main production" can also be used.

The requirements of clause 7 of the Accounting Regulations "Accounting Policy of the Organization" (PBU 1/2008) determine that when organizing and maintaining accounting in construction organizations, it is necessary if on a specific issue in regulatory legal acts methods of accounting are not established, when forming an accounting policy, develop an appropriate method based on the current accounting regulations, as well as International Financial Reporting Standards [6].

The modern accounting practice of shared construction practices the use of account 08 "Investments in non-current assets". Upon completion of construction, the cost of apartments to be credited to the fixed assets of the developer is reflected in the accounting: Debit of account 01 "Fixed assets" or 03 "Profitable investments in tangible assets" Credit of account 08 "Investments in non-current assets", the cost of apartments intended for sales: Debit account 41 "Goods" or 43 "Finished goods" Credit account 08 "Investments in non-current assets".

Based on the recommendations of the Ministry of Finance of the Russian Federation, the accounting of costs by the developer in the implementation of shared construction on account 08 "Investments in non-current assets" is more legitimate, and accounting using account 20 "Basic production" is more convenient due to the possibility of using advanced analytics.

Thus, in case of ambiguity in the legislation regarding the accounting of expenses in the implementation of shared construction, the developer must independently develop the rules for maintaining accounting of the relevant economic facts, based on professional judgment. At the same time, the chosen method of accounting for the costs of building shared objects is necessarily fixed in the accounting policy of the construction organization.

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