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ACCOUNTING PROFIT THEORY IN BELARUS: THE STATUS QUO

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There is no doubt that any system of accounting should be based on a concept or doctrine of accounting and financial reporting. This concept is the basis for the development of the methodology of accounting and financial statements. The conceptual framework is a holistic system of concepts that are derived from financial reporting purposes.

In addition, the concept typically defines the limits of financial statements, the composition and the types of transactions, and other events and circumstances to be presented in the financial statements. The concept also reveals the conditions for their recognition and registration and the procedure for their compilation in financial statements.

Thus, the concept establishes the regulations (concepts) that are the basis of the accounting and financial reporting of the organization in any country. Such a concept should provide a system of formal definitions of revenue, equity, income and expenses in relation to the subject of this study, and to determine the requirements for building a harmonious and coherent system of financial reporting. Examples of these concepts are the Framework for the Preparation and Presentation of Financial Statements (the Framework) IFRS and Statement of Financial Accounting Concepts - SFAC (USA).

In Belarus, such concept has not been developed so far. Accounting theory in Belarus is only a more or less consistent description of the technique of accounting, without any proof of the possible versions of the classification, evaluation, and methods of depreciation or write-off of assets and liabilities of the organization, not to mention the rationale for the composition, content, and presentation of financial statements.

In the absence of such a concept it is difficult and even impossible to build a complete system of accounting and financial reporting that reflects the model of the financial position of the organization on the reporting date. There is only one law on accounting and reporting in Belarus, that defines basic concepts of accounting and reporting. But that law does not reveal their (definitions) essence. But it is not enough. It is also insufficient only for the instructions of the Ministry of Finance of Belarus on various aspects of accounting, which do not contain clear logical connections between the terms of accounting and financial reporting, and do not clearly define the purpose of such reporting.

So, in the economic literature circulating in Belarus, the situation reflects several concepts of profit, having clearly non-Belarusian origins. But there are no finished concepts, such as Statement of Financial Accounting Concepts - SFAC (USA), described in all its detail in Belarus accounting literature.

There is no doubt that the absence of at least some concept of profit in the country is associated with the attitude towards profit on the part of the academic community and the Belarusian authorities. Thus, the main indicator of economic efficiency in Belarus is GDP growth, but not profit. This opinion has been expressed in the last ten years and was confirmed by the director of the Institute of Economics of National Academy of Science (Belarus), Academician Nikitenko at a recent scientific conference in Minsk on September 2012 (http://naviny.by/pda/material/?type=articles&id=133532). He made a proposal to Belarusian scientists to compile a "unique experience of the Belarusian economic model" to the level of a theory, which will then be used to train local economists.

According to Nikitenko, the result of such theoretical framework will update many economic concepts, and that is likely to change their traditional meanings. And then Nikitenko underlined, that our economic experience gives many of reason not to consider income as the primary indicator of economic performance because the Belarusian economy is showing miracles of efficiency that are not being profitable.

It was Koltunov, Deputy Chairman of the Standing Committee of the Parliament of Belarus on economic policy, who told the Belarusian public (October 2012), as, in the opinion of the Belarusian authorities, a real investor should look like (whom they will not take away the property). "This investor is not interested in buying the company to make a profit, and put money into the money-box. His goals are the development, and modernization of production," said Koltunov. (www.belaruspartisan.org/economic/222055/).

In Belarusian literature, the dominant thought up to the present time is the Marxist theory of profit as the legacy of the recent communist past. According to Marx's theory of exploitation, living labour at an adequate level of productiveness is able to create and keep more value than it costs the employer to acquire; which is exactly the economic motive why the employer buys it, i.e. to preserve and increase the value of the capital at his disposal. Thus, the surplus-labour is *unpaid* labour assumed by employers in the configuration of work-time and output goods, on the ground that employers own and equip the means of production (i.e. fixed assets) worked with. The economical function of labour is only to keep their (i.e. the means of production) value, add value to them, and transfer value.

Economic theory in Belarus does not give any formal definitions of the entity profit. It turns out, that profit is just a part of the net income of society (Strazhev, Bogdanovskaya, Migun, Vinogorov, Rusak, Shartuh (2005, p.114), etc.). And economic theory does not explain the need for such a profit for a particular investor (owner, founder, etc., etc.).

Accounting and business analysts consider only a mechanism for calculating the profit of the entity (i.e. from which amount you need to subtract the concrete sum, and what amount you need to add to this amount to get the amount of profit) (Kravchenko (2005, p.234) , Ladutko, Borisevsky, Drobyshevsky (2006, p.369). But what is the essence of the result of the mathematical calculations is not disclosed.

So, while analyzing all the existing profit definitions we constantly come up against either the formula for the calculation of profit in its various variants at the entity level, or income at high levels such as the state or society in general, and with rare exception - at the level of the enterprise.

Thus, a particular feature of the theoretical propositions of company profits is their ideological and propaganda component: the profit is considered at the level of society as part of national income. The profit does not belong only to the owner, but to the rest of society, including staff and employees. So the first part of the profits distributed to the employees and staff, then some of it goes to the owner on a residual basis (the basic practical principle of communism is everything away and divide). In this case, the authors do not explain the relationship between the capital and the profit of organization.

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INNOVATIONS IN BELARUS: THE STATUS QUO

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In this paper some factors that characterize innovation in Belarus are discussed as well as how these factors could be addressed to encourage innovation.

According to Freudenberg (2003, p. 14) "innovation can be defined as the development, deployment and economic utilization of new products, processes and services, and is an increasingly important contributor to sustained and sustainable economic growth, both at micro-economic and macro-economic levels".

In Belarus, innovation is preferentially done by introducing incrementally-innovative products, which are new to the enterprise but not to the industry sector and especially to the outer world. Since risk is especially consequential in resource-poor settings, this approach enables the entity to manage risk by building on the innovations of others. The lower-risk approach, while less likely to cause a large loss of money, also holds fewer rewards and is a compromise approach to genuine entrepreneurship. Furthermore, at some point, novel innovation is inevitable if progress is to be made.

In the early and late 1990s small enterprises were considered as a driving force for job creation, growth and global competitiveness through innovation (Feldman et al, 2002).