

Analysis on accounting system of tourism agricultural enterprise in China

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Abstract: As a new enterprise organization, tourism agricultural enterprise has occupied a certain market position. However, their internal management and accounting system is still not sound, which has become a problem to be resolved in time. In this paper, the present situation of tourism agricultural enterprise was analyzed. It was pointed out that the diversification of investment subjects led to accounting standards being not unified and accounting methods disordered. Existing enterprise accounting system hardly involves the content of accounting of tourism agricultural enterprises. In practice, the lack of feasible system implementation guidelines can't meet this kind of enterprise production and business operation management need. Based on the concept analysis of tourism agriculture and the features and characteristics of its financial accounting, the accounting systems of tourism agricultural enterprises were analyzed. Then some suggestions perfecting accounting system of tourism agricultural enterprises were given to improve the accounting system and financial management of tourism agricultural enterprises.

Keywords: Tourism Agricultural Enterprise, Accounting System, Analysis

1. Introduction

In recent years, more and more advice to reform agricultures and agricultural enterprises are putted forward (Bai, 2008)[1]. Especially the traditional agricultural production mode should be changed to ensure its sustainable development. Yu,(2002) deemed that the development of family farm is an effective way to solve agricultural developing problems[2]. Shao (2012) analyzed Chinese present production mode and proposed that agricultural production mode should be diversified [3]. In addition, the rapid development of urbanization also causes some problems, such as fast pace, life stress, interpersonal tensions, reducing significantly the happiness index of city life. And so more and more people tend to go back to or be closed to natural pastoral environment (Zheng,2007)[4]. Leisure tours, attached to towns effectively and based on agricultures (Ryel, Grasse 1991), integrate the development of the tourism and agriculture in recent years. And the corresponding research has become a new hotspot of social science research. Many traveling companies and agribusiness start to engage in agriculture tours and have formed a certain scale. According to the statistics sorted by

agricultural sector and tourism management agencies, in the end of the year 2011, there are more than 16,000 leisure agriculture projects distributing into every place of China. With the development of agriculture tourism, the main investment and operation bodies are gradually increasing. As a new enterprise organization, the agricultural tour company has occupied a certain position in market with their increasing scales. However, compared with other companies, agricultural enterprises are set up lately, so their internal management and accounting systems are in infancy. The issues about the development, improving and perfecting have become urgent problem. Due to the diversification of investors and confusion of accounting methods, many corporate accounting standards are not unified. And existed enterprise accounting system is mainly applied to mature businesses, and less involved in tour agribusiness accounting. Therefore, the existing accounting system lacks feasibility in practice and is unable to meet the agricultural tour enterprises. Based on research for the concept of tourism agriculture, characteristics and financial accounting characteristics, the content of agricultural tourism accounting system of enterprise was analyzed. Finally the suggestions for improving the tourism agriculture accounting system of enterprises were given.

2. Methodology

The study area for this review covers the entire nation of China. Based on the reviews of existing literature, theoretical analysis was conducted involving the connotation, characteristic of tourism agricultural enterprises. Then the assumption of tourism agricultural enterprise accounting framework was proposed. Previous publication and some related case studies were used during the development of this paper.

3. Results

3.1. *The Connotation and Characteristics of Tourism Agriculture*

Traveling agricultures are also known as sightseeing agricultures or leisure agricultures, which are recreational agricultural activities combining the production, life, ecology, recreation with the tourism. It advocates low-carbon, environmental, energy-saving ideas to develop agricultures. Compared with traditional agricultures, tourism agricultures have six characteristics as followed. Firstly, focusing on improving the agricultural environment based on ecological resources and agriculture farming. The purpose of the industry is to continuously improve the ecological environment and to avoid damaging development, so that they develop themselves well. Secondly, regarding tourism management as the center, and focusing on the development of tourism resources. Thirdly, high yield and low risk. If they are managed well, agriculture and tourism incomes will be gotten simultaneously. Fourthly, entertaining and participation. Fifthly, high efficiency and low carbon driven by advanced technology. In other words, they advocate the use of high-technology to develop efficiency and low-carbon tourism. Sixthly, diversification of business operation.

3.2. *Tourism Agricultural Enterprises and their Accounting Characteristics*

Main operators of tourism agricultures are diversified, including rural cooperatives, limited liability companies, partnerships and the joint management organization of company plus farmers, etc. Tourism agricultural enterprises are very important components of tourism enterprises, and they are mainly in the form of manors or ecological agricultural parks. Their business activities have both agribusiness and tourism enterprise features, which are summarized as follows. Firstly, enterprises offered mainly agricultural products. These products are sold by agricultural markets and visitors' picking. Secondly, their business scopes are very wide and involve aquaculture, sideline, agro-industry, catering and accommodation services. Thirdly, they enjoy beautiful environments and protect ecological resources, so that the investments used for infrastructure are relatively large. Fourthly, their business activities have significant seasonality. The producing of

agricultural products and agricultural tourism resources visited or sell, such as cauliflower and lavender, are both seasonal. Fifthly, the means of production are mainly wide lands. Wide agricultural parks and comfortable environments are necessary for the development of agriculture tourism, because farming, aquaculture, fishery, catering and entertainment industry, lodging industry need many land resources. Sixthly, labor time is inconsistent with production time. The main products are living plants and animals, whose production cycle is very long.

Agricultural tourism business activities usually involve primary, secondary and tertiary industries, resulting in diversifies of business modes. Therefore, their management styles, particularly accounting, are evidently different from those of other companies. Firstly, their accounting contents are extensive. Most operation activities of tourism enterprises involve cultivation, processing, catering, accommodation, transportation and other industries. Besides, they also relate to other industries such as real estate developments. Some eco-tourism parks developed from the state farm have schools, hospitals and other units. As the variety of business contents, accounting should not only meet needs of enterprise managements, but also adapt to a variety of industries for production and operation. This requires that overhead costs and financial results of each industry should be calculated independently. Their gains and losses should be considered simultaneously. Secondly, their financial management systems are complex. Some tourism agricultural enterprises are built by governments and managed by a special department of governments. Some are built by companies plus farmers and managed by companies. Some take the management form of cooperatives. Therefore, the sophisticated management systems and dual operation modes result in the apparent complexity of financial management systems. Thirdly, costing should be divided in many stages. Tourism agricultures should pay attention to develop agricultures, and their highlights should be rural tourisms or urban tourisms. Therefore, they are new intersectional industries with high coordinated index. The main accounting objects are tourism activities and farm products, so that there are seasonality and the life periodicity suitable to plants and animals. In order to grasp production and operation situations accurately and timely, static financial data and dynamic production status should be checked and value-added situations of different growth stages should be provided. Fourthly, operating results are multiple in that agricultural tourism can bring multiple benefits, such as economic, agricultural, social, environmental and ecological benefits.

3.3. *The Assumption of Tourism Agriculture Accounting Framework*

3.3.1. *Accounting Postulates*

Accounting postulates are some reasonable hypotheses about time and environment of accounting system. They are premises of accounting recognition, measurement and report.

Accounting postulates were defined in the 1920s, and they have developed gradually with the continuous development of accounting undertakings. Accepted accounting postulates mainly include accounting entities, continuity operations, staging and monetary measures [6].

Accounting entities are specific units or organizations about the accounting and supervising, which is spatial area of recognition, measurement and reporting. The main-bodies of tourism enterprises are economic entities whose accounting object is tourism business. The main bodies of agricultural enterprises are economic organizations of independent accounting. They mainly engage in agricultural production and specialize in processing. Therefore, the main bodies of tourism agricultural enterprises should be economic organizations, which engage in casual agricultural production, processing, catering, leisure, entertainment, tourism products and agricultural products circulation. They should be based and focuses on agricultural development and emphasize the development and construction of corresponding tourism resources. They also carry out appropriate tourism business and independent accounting. Accounting main bodies are different with form and size of companies. As an example, the accounting subject is a single household family for a family farm. Firms and households are the main bodies of accounting for the joint venture built by company plus farmer. The corresponding subsidiaries act as the center of cost accounting for groups having planting, breeding, catering, and accommodation subsidiaries. Then the headquarter makes consolidated statements. If they belong to the government, operators are responsible for the accounting. Those transformed from state-owned farms usually have power substation, transport team, maintenance center and other departments. These departments mainly provide products and necessary services for enterprise, so they should be not accounting bodies.

Continuity operation is the prerequisite of accounting measurement and financial reporting, and the defined time of the business activities. In other words, it means that accounting entities will continue to operate business as in current scale. They will not be closed or reduced evidently. As an emerging industry, tourism agricultures' characteristics are long cycle and large investment, so their business has large risks for entities, but in short time these enterprises can continue operating. This must be considered by entities.

Accounting time-stage means equal time length divided from the period for consecutive of continuing business. It is the limited definition of infinity duration of the business. In general, the fiscal year with the Gregorian calendar adopted in the industrial enterprises, is not suitable for the tourism agricultural enterprises. Operations of tourism agribusiness mainly include agricultural production and operation, and tour operator activities. Besides, the labor time of agricultural production and operation is inconsistent with production time. Agricultural production cycle is more consistent with the lunar calendar, so the fiscal year with

Lunar can improve the timeliness and reliability of financial information of agricultural tourism. It's considerable to regard low and peak seasons as the accounting period for interim financial information because business activities of tourism and agriculture are extremely seasonal in order to timely offer the information of company business.

As in 'Accounting Standards', accounting should be mainly measured in currency. For tourism agricultural businesses, currency should be the unit of measurement and the quantity is very important. In the leisure agricultural enterprises, raw materials are almost provided by bleeding departments and warehousing departments. Therefore, accounting book about quantity is particularly important.

3.3.2. Accounting Confirmation

- (1) Confirmation of assets. For tourism agricultural enterprises, assets mean the resources owned or controlled by the enterprises and they can generate the anticipated economic benefits for enterprises. Assets confirmation needs necessary conditions, so a certain resource can be confirmed as assets only it satisfies confirmation conditions. The first condition means that these resources had been created from transactions or events in the past [7]. Assets of tourist agricultures are special, because they are abundant natural resources and eco-tourism resources which can make people comfortable. The assets may be water, weather, light, heat, etc. These resources were built in the past and are developed now. The resources exploited and nurtured in the future should not be classified into assets category [8]. The second condition means that these resources were owned or controlled by enterprises. For an example, the land is irreplaceable main means of production for tourism agriculture developments. Most leisure agriculture enterprises and organizations obtain land mainly by land circulation or sharing. Before the enterprises' agreements with the peasants or local government, namely the land used rights, are effective, the land resources can't be confirmed as the assets. The lands only rented, but not be owned or controlled by the enterprises also cannot be confirmed as enterprise assets. The third condition means that the resources are expected to bring inflows of economic benefits and they have potential to provide services for enterprises. The probability should be from 50% to 95%. The fourth condition means that the costs and values of the resources can be reliably measured. For tourism agriculture resources such as air, soil and environments, which cannot be accounted or measured, their costs and values can't be reliably measured. Therefore, it is difficult to confirm them as assets. Agricultural tourism assets mainly include current assets and non-current assets. Monetary funds, short-term investments, accounts receivable and other receivables, stock merchandise, young

animals and fattening livestock, etc., belong to current assets. Fixed, intangible and other assets belong to non-current assets. Confirmation of biological assets is the biggest difference between agricultural enterprises and other enterprises. Eco-tourism agribusiness biological assets should include consumable biological assets, biological assets, and public welfare biological assets [9-10].

- (2) Confirmation of liabilities. Current tourism agribusiness liabilities originated from past transactions or events and expected to result in outflows is defined as liabilities. Liabilities mainly include short term debts and long-term liabilities. Short term liabilities include payable accounts of family farm, receivable family farms accounts or other projects. To confirm the obligation as liabilities, three conditions must be satisfied. Firstly, the obligation happened in the past and can be confirmed now. Uncertain and future obligations can't be confirmed as liabilities. Secondly, the obligation is likely to lead to the outflow of economic benefits. Thirdly, future outflow of economic benefits can be measured reliably. With the rapid development of tourism, the large influx of visitors will bring much negative impact on ecological environment. For examples, the destruction of farmland, roads and the original ecological environments, and the reduction of species in the ecosystem. These negative effects are likely to make the enterprise face litigation or claim. If the amount of economic benefits outflow can't be confirmed, it will also not be confirmed by the enterprise.
- (3) Confirmation of owner's equity. The owner's equity is the residual interest, namely the total assets minus total debts. The confirmation standard is attached to the confirmation of assets and liabilities. The ownership of tourism agriculture enterprise and other enterprises is similar. It mainly includes the paid-up capital or equity, capital reserves (meaning capital premium or the gains and losses of owner's equity, and public welfare forest fund), surplus public accumulation and undistributed profit. Tourism agribusiness investors may be individuals, businesses or government. Paid-up capital includes the investment of currency, investment of used-rights of the land, special fund investment of government, patented technology shares and other forms. Tourism agriculture enterprises' undistributed profits are the operating results of enterprises, namely the accumulation of the current and previous operating results of all departments. For the development of tourism and landscaping, companies should have more public welfare biological assets. They should set a special maintenance fund for public welfare resources, such as charity forestry, pasture, farming and ornamental water. Therefore, it

is proposed to add the public welfare biological asset fund in secondary subjects of the capital reserve to reflect the change of the maintenance fund.

- (4) Confirmation of income. Income of tourism agricultural enterprises mean the gross inflow of economic benefits unrelated to the owner invested capital. It forms in enterprise daily business activities, and can lead to owners' equity increasing. It can be divided into non-operating and operating income. Operating income means the sum of the main business income and other business income. Main business income comes from selling agricultural products, food and beverage, guest room, ticket, etc. If consumed materials of catering department are provided by agricultural planting and breeding departments, then they should be not included in sale-income. However, they should be credited to the business operating costs. The revenue of agricultural product caused by picking or fishing can be included in sale-income. Food-Processed fee for visitors should be included in the food-income. To count the inflow of economic benefits as income, there are some satisfied conditions as followed. Firstly, the main risks and rewards related to the ownership of the goods or labor had been transferred to the buyers. Secondly, the sellers do not effectively control the sell goods. Thirdly, related economic benefits will possibly flow into the enterprise and the amount can be reliably measured. Associated costs can be also measured reliably. For an example, tourists have already purchased tickets or stayed in hotel, even if tourists haven't paid in cash, the related income may be confirmed.
- (5) Confirmation of Expenses. Here, the definition of the expense is generalized. It refers to the total outflow of economic benefits, which happens daily and leads decrease of owner's equity, and unrelated to the profit distribution. It includes the production and the non-production expenses. Specifically, it should be direct expense (production costs), indirect expense and period expense. The production expense of tourism agricultural enterprise is usually for agricultural production and processing. Expense directly associated with the production of agricultural products is included in the expense of agricultural production. The expense indirectly associated with the production of agricultural products can be assessed by certain methods. After agricultural products mature or be closed, indirect expenses will be carried forward to the biological value of assets. Agricultural products for self-consumption and sales of corporates can be transferred to consumable biological assets. Plants and animals used in the subsequent production should be transferred to the productive biological assets. Costs of cultivation for plants and animals for ornamental and landscaping should be transferred to

the public welfare biological assets. If production is used for visiting and sale, it is recommended that the production cost of the products is transformed into consumable biological assets. Period expense is especially special expense in the income statement during the daily operation and management of agricultural enterprises, which is divided into operating expense, financial expense and administrative expense. Operating expense comes from catering, hotel, entertainment, and it is closely related to the income. The costs incurred in raising funds are called as financial expense, including interest expense, exchange loss and related fees, etc. Management fee is the cost of travel agriculture in daily management.

3.3.3. Accounting Measurement

Accounting measurement is the measured process of all enterprises' economic activities and corresponding results based on the currency as main unit. It is the definition of all relationship between the various activities and is the distribution of identified accounting issues on the currency amount. Measured areas mainly include asset, liabilities, owners' equity, income, cost and profit (the core of accounting measurement). Accounting confirmation is the basis of accounting measurement and accounting measurement is the concrete money manifestation of accounting confirmation. Determination of specific amount in the accounting events mainly depends on measurement properties. Currently recognized measurement properties include historical cost, replacement cost, net realizable value, present value and fair value. Based on the new accounting standard, most economic activities mainly takes the historical cost in measurement, meaning the account by the actual payment or cost for cultivation to be accounted. Expendable, productive and public welfare agricultural biological assets, which are caused in agricultural activities such as self-cultivation, creation, multiplication and cultivation, should be considered as the cost of assets before its harvest, closing or storage with the actual cultivation, facility, seed testing, survey, design, labor, feed and fertilizer fee. However, the value of invested biological assets should be confirmed according to the investment contract or agreed price. Shares as biological assets belong to individual farmer or person should be measured as fair value. Due to their development of both agriculture and tourism, tourism agricultures have many natural biological assets such as pasture, lakes, forest, etc. They will be determined by the nominal amount according to the new accounting standards. However, the amount is very random, so that the real value can't be reflected correctly. In fact, these resources play a great role during agricultural tourism development. They can bring indirect economic benefits to enterprises, so that they have serviced potential. Thus, it is advised that they are accounted by discounted amounts of future net cash. The growth cycle of some biological assets is relatively long, and there are similar items sold in the market. If they are

measured as the historical cost, then it is possibly difficult to reflect their true value. Here, it is recommended that they are accounted as fair value.

3.3.4. Accounting Records

Tourism agriculture accounting record has noun and verb characteristics. As a noun, the accounting record refers to original data materials such as accounting books, accounting vouchers, account statements, invoices, contracts. As a verb, accounting record refers to the management process of tourism agricultural economy business such as accounting confirmation. It is reconfirmation of accounting after the initial recognition by using appropriate account, amount and words to reflect enterprise business activities according to the double entry book. For a single family or small-scale farmer operating units, it is difficult to provide the complete financial information as the large-scale enterprises. Therefore, in order to understand the status of production and business activities well, simple daily accounting should be used. For the large-scale tourism agricultural enterprises, having wide and numerous business activities, there is evident difference between the account setup and registration of accounting book. As the large variety of agricultural production and business, it's very important to set up a detail account to record the quantity of physical materials. Agricultural products are received and sent frequently because of their self-use, sale and viewing characteristics, so the daily detail account must be recorded strictly. Besides, the operating costs should be accounted by the FIFO method and physical inventory. If all economic and business are totally accounted by corporate headquarters, columnar system accounts should be used, including the daily account, detail account, detail production cost, etc. Vouchers summary and preparing trial balance can be used for accounting in order to understand the relationship between accounts corresponding and check the balance of accounts accounting.

3.3.5. Accounting Reports and the Disclosure of Accounting Information

The goal of accounting is to provide relevant information of financial information for decision-users. As the result of financial accounting, accounting report is a carrier, which reflects the financial position, operation results in a particular accounting period, cash and other accounting information of enterprises. It reflects the fulfillment of management's fiduciary duty. It is the imputation, processing and aggregation for accounting data. Accounting report of tourism agricultural enterprises should include balance sheet reflecting assets, income statement, profit and loss account, cash flow statement, statement of changes in equity, notes to the financial statements and so on. Due to extremely seasonal business activities of tourism agriculture, the labor time is inconsistent with production time. Accounting or providing reports in the accounting period according to the unified accounting standard will make information incomplete and not timely. It is proposed to add the financial reports during the busy-season and off-season to reflect

operating conditions and to provide timely relevant information. Meanwhile, the development of tourism agriculture is closely related to the environment. It means that tourism business and agricultural activities cause significant impact on the environment. The impact can be summarized as environmental costs environmental benefits. There are no unified approach for recognition and measurement of environmental costs and benefits so far, and then it is necessary to show possible impact in the account reports to attract attention of users. In addition, events causing major influence on business operations should be shown in the accounting reports. For examples, the important landscape construction projects for the development of tourism and its process, and the amount and duration of the introduced cultivating technology.

4. Conclusion

The accounting of tourism agricultural enterprises must be in accordance with its operation characteristics. In this paper, the assumption on accounting framework of tourism agricultural enterprises was elaborated from six aspects, namely accounting assumptions, accounting recognition, the accounting stage, accounting records and accounting reporting and disclosure. For tourism agricultural enterprises, the accounting entities should be economic organizations, which engage in agricultural production operation activities. It is necessary to disclose accounting information with lunar calendar. Both currency and quantity are important in accounting book. It is difficult to confirm agricultural resources and negative effects which cannot be accounted as assets and debts. It is proposed to add the public welfare biological asset fund in secondary subjects of the capital reserve to reflect the change of the maintenance fund. The gain of selling production between internal departments cannot be confirmed as enterprises' income. The expense indirectly associated with the production of agricultural products can be assessed by certain methods. The accounting measure methods include historical cost, replacement cost, net realizable value, present value and fair value. It is suggested that provide the financial information on environment effects and operation actives of busy-season and off-season.

Recommendations

- (1) Consolidating theoretical and practical foundation of agriculture accounting system. Accounting standards should be consummated abidingly. The operation guide of travel agricultural accounting should be supplied. The accounting of agricultural tourism economic entities should be rationalized. Basic accounting assumptions, accounting entities and accounting details of tourism agriculture should be clearer and more enriched. Currently, the conceptual basis of the account reports mainly includes asset-liability view and revenue-expense

view. Tourism agricultural accounting system still confirms changes in assets and liabilities, and then it determines the increase or decrease in revenue. Enterprises should not only pay attention to the increasing value of assets, but also emphasize revenue from the direct proportion between income and expenses. It means that the theory of asset-liability view and revenue-expense view should be equally important. Based on consolidating the theoretical foundation of the accounting system, the tourism agriculture accounting system will be established and improved.

- (2) Optimizing the environment to perfect the tourism agriculture accounting system. Governments should support agricultural tourism with local characteristics, and then create a good environment for its development from policy, fund, technology and service. The state financial laws system and business accounting system should be improved to provide macroscopic support for improving the tourism agriculture accounting system. The construction of internal control system should be strengthened, and then the modern agricultural tourism enterprise system should be improved. The information platform for accounting system should be built, and then the management concept of democracy and scientific should be advocated to provide a microscopic support for improving the tourism agriculture accounting system.
- (3) Perfecting corporate accounting organization system. From operating characteristics of traveling agricultural enterprises, designing accounting organization and job responsibilities should follow the principles of adaptability, systematic, rights and responsibilities relative, controllability, efficiency and protection. Management system and organizational structures of enterprises should be innovated to provide organization guarantee to improve the accounting system.
- (4) Perfecting management system of enterprises. For state-owned tourism agriculture enterprises, it's necessary to deepen reforms of the personnel system, labor and distribution to improve the social security system for employees. The administrative levels should be canceled to ensure full implementation of the labor contract system and job station competition. The distribution system according to work should be carried out and to improve productivity on an equitable basis. The incentive mechanism for management and employees should be established to mobilize their enthusiasm and initiative, and then to make contributions to the improvement of the accounting system.

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