

Russian Roulette, er, I Mean Bookkeeping

The early snowstorm in the Northeast a few weeks ago reminded me of the city of Yekaterinburg, a large city two hours east of Moscow by air that often sees snow in October all the way through May. The western border of Siberia is a few hundred miles to the east. In Yekaterinburg, there are many small businesses whose owners need to keep their accounting books just like you do. However there are a couple of twists as you might imagine.

The old Russian accounting system was built for one purpose: to calculate taxes. And the tax system is complicated, expensive, and volatile. In the 1990s, about 600 new laws were published every year (just in case we think U.S is the only country that has a crazy tax system). The Russian government has broad powers to garnish business accounts, and many transactions are handled in cash to avoid this capability. As a matter of fact, it was quite common for small businesses to maintain three sets of books:

- One “official” set of books for the government.
- One for payroll, which was mostly done in cash.
- One for management to see what was really going on.

It’s interesting to see whether QuickBooks could handle such data requirements. At any rate, it would need to be QuickBooks in Cyrillic to support the Russian alphabet. Microsoft Excel is definitely available in Cyrillic; I’m not sure Intuit has any plans for a Cyrillic version any time soon, which brings up another challenge: there are not too many plug and play accounting systems available in Russian.

Another challenge in the new, turbulent post-perestroika economy -- inflation. Lending rates ranged between 130% and 200%. That’s pretty brutal to profit margins. What’s worse, a loan has to be paid back in three months. A company needing cash for several months is forced to find a new bank every three months to pay off the old loan and lend it the money for the next three months.

Until 1992, Yekaterinburg was a closed city: No foreigners were allowed to visit for reasons of national security. Concepts that we take for granted in America, such as profit and efficiency, are relatively unknown in Russia. There is no Russian word for “efficiency.” Imagine describing efficiency to an employee who has never heard of the concept or the word.

The chief accountant, who is often a company officer, is usually educated as an economist, which is the closest profession that Russia has to accounting until recently. There is a great hunger for management accounting and reporting because there wasn't anything like it.

Sometimes it's a breath of fresh air to experience a new perspective. In the U.S. we don't have to keep three sets of books; one is quite enough for most of us. It's illegal to make payroll in cash in most states. We have about half a million CPAs and far more bookkeepers to help us with anything we don't understand. Most of them are quite efficient, and that's a lot to be grateful for.

If we can help you with anything that feels foreign to you in your accounting system, please call on us anytime.