



2. БУХГАЛТЕРСЬКИЙ ОБЛІК В ПРОЦЕСІ ІМПЛЕМЕНТАЦІЇ ЄВРОПЕЙСЬКОГО ЗАКОНОДАВСТВА: МЕТОДИКА ТА ОРГАНІЗАЦІЯ

Poniatowska L.

PhD,

Department of Accounting

University of Economics in Katowice

Katowice, Poland

THE RULES OF RECOGNITION PROVISIONS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the accounting of global international standards provisions play a very important role. They are a fundamental category in accounting system which enable entities to present their net assets faithfully. According to accounting regulations a provision is a liability of uncertain timing or amount. By creating provisions entities ensure that all liabilities are included in the financial statement. Provisions are item affect both the value presented in the statement of financial position and the statement of profit and loss and other comprehensive income. They are a category that enables shaping a picture of a unit's financial condition and the financial result [5, p.155]. Therefore provisions are subject of the regulations of accounting law. International Financial Reporting Standards (IFRSs) set out specific conditions of recognition, measurement and disclosures on provisions.

The article is devoted to the problem of the rules of provisions creating in accounting according International Financial Reporting Standards. The main aim of the article is to present and analyse conditions of recognition provisions. The method of critical analysis of literature and international accounting regulations were used to prepare this article.

Provisions are category defined and qualified in IFRSs. Provisions are dedicated to the IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

IAS 37 defines provision as liability of uncertain timing or amount (IAS 37, par. 10). According to the regulations of IAS 37 provisions constitute a special type of liabilities, whereas a liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic (IAS 37, par 10). Classification of provisions as a category of liabilities results from the wide definition of liabilities in accounting regulations. Provisions are probable liabilities of an uncertain nature. Defining provisions as a category of liabilities considerably limited the freedom of their creation by entities as a provision must meet all the requirements contained in the definition of a liability. It temporarily replaces the item of liabilities, i.e. until the entity becomes certain about the term and/or value [3, p.229] .

According to IFSRs regulations provisions shall be recognised when:

- 1) an entity has a present obligation (legal or constructive) as a result of a past event,
- 2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and,



3) a reliable estimate can be made of the amount of the obligation (IAS 37, par 14)

If these conditions are not met, no provision shall be recognized (IAS 37, par 14).

In order to create a provision, an entity must have a legal or customary obligation resulting from past events. A legal obligation is an obligation that derives from:

- 1) a contract (through its explicit or implicit terms);
- 2) legislation; or
- 3) other operation of law (IAS 37, par 14).

A constructive obligation is an obligation that derives from an entity's actions where:

- 1) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- 2) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities (IAS 37, par 14).

An obligating event is a circumstance which occurred in the past, resulting in a present legal or constructive obligation. In practice its identification may cause a lot of difficulty. A legal obligation is a duty involving a particular behaviour which results from law regulations (an act, legislation or another law), whereas a constructive obligation is a consequence of an entity's internal regulations and results from activity of an individual who, by establishing a method of operation in the past, publishing the principles of conduct or making a public announcement, informs third parties that it will undertake a particular obligation and its enforcement will be legitimate. This obligation may concern the whole society and the creditor's identity does not have to be known. The expected obligation is usually a subjective area, as public announcement of a company's responsibility towards other entities is a manager's individual decision. It should also be noted that in practice it is not always possible to clearly state whether a unit has a present obligation. In the event there is no certainty about the obligation, the unit estimates the probability of a present obligation's occurrence on the balance sheet day; if the occurrence of an obligation is more likely than its absence, a provision is made, otherwise a contingent liability is reported off the balance sheet [5, p.158].

For the provisions to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation (IAS 37, par 23). An outflow of resources or other event is regarded as probable if the event is more likely than not to occur, ie the probability that the event will occur is greater than the probability that it will not (IAS 37, par 23). If there is a number of similar obligations, for example in the case of granting guarantees for products, the probability of the necessity for resources outflow so that the unit can fulfil its obligation is established while taking into account a group of obligations as a whole [5, p.158].

The last criterion for creating provisions is the possibility of providing a fair estimate of the provision value. According to IAS 37 the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are valued not less frequently than on the balance sheet date of a justified, fairly estimated value. The amount of a provision should result from a rational reliable estimation of resources containing economic benefits necessary for the current obligation to be fulfilled on the balance sheet date or transferred to the third party on that day. An estimate is made by a unit's managerial staff by providing an assessment supported by previous experience and reports of independent experts. In general, the manner of provisions valuation depends on what they are created for. The complexity and high differentiation of this category as well as its uncertain character cause that various methods are used to value provisions [4, p. 255]. In the process of provisions valuation it is necessary to take into account the uncertainty and risk involved in the obligation to supply a service (the provision is corrected by increasing its value). In the process of



provisions valuation it is necessary to take into account the uncertainty and risk involved in the obligation to supply a service and many other factors such as:

- the effects of changes in the value of money over time, if they are relevant, by discounting it.
- future events which should be expected to occur based on rational premises,
- effects of introducing new law regulations,
- expected return of a part or all of the expenditure necessary to settle the provision by third party,
- in the process of provisions valuation one should not take into account earnings from expected assets liquidation [5, p.159].

Creation of a provision involves charging the current costs of running a business, income tax or revaluation capital and, in some cases, a decreased profit to be distributed. A provision may only be used for the purpose it was created for. There might also occur a situation when the actual value of an obligation for which a provision was made turns out to be different from previous estimates (the provision was overestimated or underestimated); in such as case the differences must be settled in the period when a particular provision is used [1, pp. 27-29]. It might also happen that the event for which a provision was created will not take place. Then the provision should be released on the day on which it proves to be needless, by increasing the revenues or, directly, the financial result.

In the summary, provisions are an important item in accounting and they play a very important role in the accounting system of IFRSs. The analysis of the IFRSs rules concerning the creation of provisions may lead to conclusion that that they are primarily subject to true and fair view concept. The aim of provisions international regulations is first of all to make sure that appropriate criteria and the principles of recognition, valuation and presentation of provisions are applied in the accounting books and financial statements.

References

1. Gmytrasiewicz M. Kierczyńska U. (2007), Rezerwy w rachunkowości i podatkach, Difin, Warszawa. pp. 27-29/
2. International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets.
3. Kamieniecka M. (2012). Rezerwy na zobowiązania jako obszar badań biegłego rewidenta [In.] Audyt zewnętrzny sprawozdania finansowego a wiarygodność przedsiębiorstwa, H. Żukowska, W. Janik (ed.). Wydawnictwo KUL, Lublin.
4. Poniatowska L. (2011). Metody wyceny rezerw. Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 668. «Finanse, Rynki Finansowe, Ubezpieczenia» nr 41, Szczecin.
5. Poniatowska L. (2017), Provisions in accounting and the Earnings management. Challenges, Research and Perspectives: Europe in a Changing World Provisions in accounting and earnings managements .

Агаев Х. Ф.

Шахбанов Р. Б.

профессор, д.э.н.,

ФГБОУ ВО Дагестанский государственный университет,

г. Махачкала, Россия

ПРОБЛЕМЫ ОРГАНИЗАЦИИ НАЛОГОВОГО УЧЕТА В РОССИИ И ПУТИ ЕГО СОВЕРШЕНСТВОВАНИЯ

Налоговый учет является неотъемлемой частью учета организации и играет важнейшую роль, как в исполнении налоговых обязательств, так и в налоговом планировании.