

Ministry of Education and Science of Ukraine
Ternopil National Economic University

**CONCEPTUAL APPROACH TO
REFORMING OF THE NATIONAL
ACCOUNTING SYSTEM**

MONOGRAPH

TNEU – 2017

Authors:

- Z.-M. V. Zadorozhnyi, Doctor of Economic Sciences (Foreword, 2.1),
Ya. D. Krupka, Doctor of Economic Sciences (3.1),
O. I. Skasko, Doctor of Economic Sciences (1.1),
A. M. Liubenko, Doctor of Economic Sciences (3.4),
L. T. Bohutska, Candidate of Economic Sciences* (3.3),
N. V. Hudz, Candidate of Economic Sciences (1.2),
P. N. Denchuk, Candidate of Economic Sciences (1.3),
M. V. Humenna-Derii, Candidate of Economic Sciences (2.6),
N. Y. Zarudna, Candidate of Economic Sciences (1.6),
O. M. Kundeus, Candidate of Economic Sciences (2.2),
I. V. Melnychuk, Candidate of Economic Sciences (3.5),
V. P. Moroz, Candidate of Economic Sciences (1.1),
N. V. Muzhevych, Candidate of Economic Sciences (2.7),
V. V. Muravskyi, Candidate of Economic Sciences (1.4),
I. Y. Nazarova, Candidate of Economic Sciences (3.6),
I. Y. Ometsinska, Candidate of Economic Sciences (1.5),
V. M. Panasiuk, Candidate of Economic Sciences (2.9),
S. V. Pytel, Candidate of Economic Sciences (2.10),
N. V. Pochynok, Candidate of Economic Sciences (3.2),
H. A. Rymar, Candidate of Economic Sciences (2.8),
R. V. Romaniv, Candidate of Economic Sciences (2.3),
V. Y. Farion, Candidate of Economic Sciences (2.5),
O. A. Shevchuk, Candidate of Economic Sciences (3.7),
Y. A. Sudyn (2.4)*

*comparable to the academic degree of Doctor of Philosophy, Ph.D

*Under scientific editorial supervision of Doctor of Economic Sciences, Professor
Z.-M. V. Zadorozhnyi*

- Reviewers:**
- I. D. Lazaryshyna – Doctor of Economic Sciences, Professor, Head of Accounting and Audit Department, National University of Water Management and Nature Resources Use;*
- N. A. Ostapiuk – Doctor of Economic Sciences, Professor, Professor of the Entrepreneurship Activity Accounting Department of SHEI “Kyiv National Economic University” named after Vadym Hetman;*
- V. S. Rudnytskyi – Doctor of Economic Sciences, Professor, Head of Accounting and Audit Department, Lviv Research Institute of SHEI “University of Banking”*

*Recommended for publication by the decision of the Academic Council of
Ternopil National Economic University
(Minutes № 3 from November 25th, 2015)*

CONCEPTUAL APPROACH TO REFORMING OF THE NATIONAL ACCOUNTING SYSTEM: Monograph. Z.-M. V. Zadorozhnyi, Doctor of Economic Sciences, Professor, [Et al.]. – Kindle Publishing, Box 81226 Seattle, WA 98108-1226, The USA, 2017. – 236 p.

CONCEPTUAL APPROACH TO REFORMING OF THE NATIONAL ACCOUNTING

SYSTEM: Monograph. Z.-M. V. Zadorozhnyi, Doctor of Economic Sciences, Professor, [Et al.]. –
Kindle Publishing, Box 81226 Seattle, WA 98108-1226, The USA, 2017. – 236 p.

The monograph presents the characteristics of the current state of accounting in Ukraine and the ways of improving its certain objects within international trends of harmonization of financial reporting and modern requirements for the economy management. The authors provided suggestions for harmonization of accounting in Ukraine, improvement of accounting information, particularly, under the conditions of computer communication accounting. The importance of accounting in the implementation of the company social activity was shown, recommendations on solving the problems of accounting reforming and the company's assets and costs were given. The issue of accounting and the company's reporting transformation according to the international requirements is considered as one of the ways of the investment climate improvement in Ukraine.

The monograph is intended to be used by researchers, lecturers, teachers, doctoral and post-graduate students of economic specialties of higher education institutions as well as for managers, accountants and economists at the enterprises.

The authors expressed their gratitude to the Department of Foreign Languages and Professional Communication of Ternopil National Economic University for providing the translation of the monograph, particularly to Nataliya Lysa, Candidate of Philological Sciences, Associate Professor, Head of the Department; Nataliia Avramenko, Candidate of Philological Sciences, Associate Professor; Inna Shylinska, Candidate of Pedagogical Sciences, Associate Professor; Larysa Sandii, Candidate of Philological Sciences, Associate Professor; Tetiana Piatnychka, Candidate of Philological Sciences, Associate Professor; Viktoriia Korobii, Master of Science in Economics.

ISBN: 978-0-692-82742-0

INDEX

Introduction to the monograph.....	6
CHAPTER 1. GENERAL THEORETICAL PROBLEMS IN MODERNIZATION OF NATIONAL ACCOUNTING AND AUDIT SYSTEMS	
1.1. Institutional and legal principles of external audit system' formation in Ukraine.....	8
1.2. Harmonization of accounting in ukraine.....	15
1.3. Accounting information as an ordered system of artificially created indicators.....	23
1.4. Valuation in the conditions of computer and communication accounting forms.....	35
1.5. Role of accounting in social activity of enterprise.....	45
1.6. Accounting tasks of supply department in organizational structure of enterprise.....	55
CHAPTER 2. PROBLEMATIC ISSUES OF REFORMATION OF ASSETS AND COSTS ACCOUNTING OF ENTERPRISE	
2.1. Conceptual approaches to accounting for inferior assets.....	65
2.2. Fixed assets: accounting and tax dimensions.....	76
2.3. Intangible capital and functions to manage its value.....	88
2.4. Recognition of goodwill in the accounting system of the company.....	97
2.5. Choosing methods of cost accounting and product costing for management.....	111
2.6. Documenting and accounting the transactions by construction stages and methods of making monetary payments.....	122
2.7. Improving methods of accounting costs of maintenance and operation of construction equipment.....	131
2.8. Accounting policy regarding costs of the construction company.....	142

2.9.	It cost management in the context of European integration.....	155
2.10.	Development of enterprise innovations management accounting methods.....	164

CHAPTER 3. TRANSFORMATION OF ENTERPRISE STATEMENTS TO INTERNATIONAL STANDARDS AS ONE OF THE WAYS OF IMPROVING THE INVESTMENT CLIMATE IN UKRAINE

3.1.	Investment climate in Ukraine and investment attractiveness of the enterprises.....	172
3.2.	Corporate social responsibility and its influence on the economic results of the company's activity.....	180
3.3.	Financial reports by International standards: conversion or transformation.....	191
3.4.	Implementation of international standards of state financial control.....	199
3.5.	Alternative sources of funding innovation processes and their representation in accounting.....	210
3.6.	Business merging methods: domestic and foreign practice.....	218
3.7.	Accounting and analysis of financial activity of agricultural enterprises.....	227

INTRODUCTION TO THE MONOGRAPH

The Ukrainian economy reforming is impossible without increase in attractiveness for the foreign investments, systemic changes in tax and budget legislation, conducting the reform for the state and municipal administration, sequential implementation of IT technologies, enforcement of everything new and progressive. These conditions cause the need to update the requirements to accounting system as it consists the base of information for the end-users to make effective management decisions.

The accounting reforming in Ukraine started immediately after Ukraine got its sovereignty. One of the first legislative directives of the first President of Ukraine was «On the Transformation of Ukraine to the Generally-Accepted in International Practice System of Accounting and Statistics» (May 23, 1992, № 303/92). Over long time after this Directive was adopted the demand for the corresponding Law was required. Law of Ukraine “On Accounting and Financial Reporting in Ukraine” was adopted in 1999 and entered into force January 1, 2000. A number of changes and amendments were introduced to this Law of Ukraine. They were connected with changes in the national economy, vectors of its development, and requirements of international and European institutions. A new version of this Law of Ukraine will be soon adopted by the Supreme Council of Ukraine. However, in spite of fairly improved new version, the conceptual basis of the accounting system’s development in Ukraine cannot be reflected there. There are problematic issues related to the transformation of accounting in Ukraine to the international reporting standards, requirements of the European Union, imperfections in the National Accounting Standards, directives and regulations in the realm of accounting.

The monograph consists of three chapters. Chapter 1 «General Theoretical Problems in Modernization of National Accounting and Audit Systems» focuses on the issues concerning harmonization of accounting system in Ukraine, the role of accounting information for calculation of the indicators of the firm’s activity, valuation in the conditions of the programming and communication forms of accounting registration, the role of accounting in execution of firm’s social

responsibility function, institutional and legal bases of forming external audit system in Ukraine, and the like.

Chapter 2 «Problematic Issues of Reformation of Assets and Costs Accounting of Enterprise» deals with controversial questions pertinent to accounting for fixed assets, inferior assets, goodwill, non-tangible assets, and also the ways to improve accounting of costs at manufacturing and constructing enterprises.

Chapter 3 «Transformation of Enterprise Statements to International Standards as One of the Ways of Improving the Investment Climate in Ukraine» investigates the ways to improve investment attractiveness of Ukrainian enterprises, so that they can receive more foreign investments. Discussion also concentrates on transformation of financial reporting to the international standards, implementation of the international standards of state financial control, enhancement of accounting for alternative financing sources for innovations, corporative social responsibility and its influence on the firm's commercial results, accounting and analysis at agricultural enterprises.

The list of the monograph authors includes the following academics: Doctor of Economic Sciences, Professor, Vice-Rector for Research of Ternopil National Economic University Z-M. V. Zadorozhnyi (introduction to the monograph, section 2.1), Doctor of Economic Sciences, Professor Ya. D. Krupka (section 3.1), Doctor of Economic Sciences, Associate Professor A. M. Liubenko (section 3.4), Doctor of Economic Sciences, Associate Professor O. I. Skasko (section 1.1), Candidates of Economic Sciences, Associate Professors: N. V. Hudz (section 1.2), P. N. Denchuk (section 1.3), N. Ya. Zarudna (section 1.6), O. M. Kundeus (section 2.2), I. V. Mel'nychuk (section 3.5), V. P. Moroz (section 1.1), N. V. Muzhevych (section 2.7), V. V. Muravskyi (section 1.4), I. Ya. Nazarova (section 3.6), I. Ya. Ometsinska (section 1.5), V. M. Panasiuk (section 2.9), S. V. Pytel (section 2.10), N. V. Pochynok (section 3.2), R. V. Romaniv (section 2.3), V. Ya. Farion (section 2.5), O. A. Shevchuk (section 3.7); Candidates of Economic Sciences, Senior Assistant Professors: L. T. Bogutska (section 3.3), M. V. Humenna-Derii (section 2.6), H. A. Rymar (section 2.8), Teacher Yu. A. Sudyn (section 2.4). The monograph is intended to be used by researchers, lecturers, teachers, doctoral and post-graduate students of economic specialties of higher education institutions as well as for managers, accountants and economists at the enterprises.

CHAPTER 1. GENERAL THEORETICAL PROBLEMS IN MODERNIZATION OF NATIONAL ACCOUNTING AND AUDIT SYSTEMS

1.1. INSTITUTIONAL AND LEGAL PRINCIPLES OF EXTERNAL AUDIT SYSTEM' FORMATION IN UKRAINE

External audit in Ukraine as an important element of the market economy has not been formed as the institution that creates confidence in the public information of economic agencies, individuals and protects from a sudden bankruptcy. Practical experience of national and world economy shows that a state has to interfere into economic processes.

The classical liberalism theory, market self-regulation and state non-interference in the economy in times of the world economy's globalization and the transformation processes in Ukraine become not actual. Instead the Keynesian concept declares that market mechanism alone can not guarantee the resistance to crises. Nowadays, it is doubtless that the ability of the economy to self-regulation and minimization of state control through delegation a substantial part of regulating and control power to the private sector is an illusion. Due to this, it is necessary to develop new theoretical concepts by domestic scholars and practitioners.

Among domestic scientists and practitioners who research reforms of the external audit in Ukraine should be mentioned V. Bondar, G. Davydov, S. Ivakhnenkov, I. Krupka, J. Krupka, O. Makeeva, O. Petrik, O. Redko, V. Rudnytsky, O. Skasko, V. Shevchuk and others. In particular G. Davydov, A. Petrik, O. Redko noted that «... in institutional situation of the Ukrainian auditing is inadequate current state comparing with European Community ... Global approaches to building a system of public oversight, justifying the appropriateness of the creation of institutional and legal form in which the audit market regulation will provide state and Self-Regulatory organizations.»

Thus the legislation of Ukraine should be changed in accordance with European requirements. The most appropriate model of audit regulation is a form of delegated

technical regulation (certification, regulation, supervision, licensing, accreditation, sanctions and appeals, etc.) with obligatory participation of all auditors in any public self-regulatory organizations [3; 10, p. 42-48].

Global financial and economic crises of XXI century led to reviewing institutional and functional model of external audit regulation by many countries. There were shifting towards the growth of state institutions' functions and activation of forming an effective system of public oversight of auditors' performance.

In 2005, at the supranational level the following Self-Regulatory organizations were established:

- International Forum of Independent Audit Regulators;
- European Group of Auditors Supervision, which coordinates the activities of the auditors' public supervision system within the EU and makes recommendations to the EU Commission [9];
- The Council for Supervision of public interests monitors IFAC developments in auditing and evaluates them according to the public interests.

According to the Law of Ukraine «On Auditing» governing authority (organization and methodology) for audit activity in Ukraine is Audit Chamber of Ukraine (ACU), a collegiate governing body of which form the ten members of audit firms, specialized schools and ten representatives from state authorities [6]. This form of organization has been recognized by many domestic and foreign experts as progressive, such that takes into account equally interests of state agencies and auditing firms, and would ensure the development of auditing in general.

In my opinion, the system of external audit requires reviewing the existing legislative requirements of its institutional and functional organization in Ukraine, because it contains an excessive concentration of delegated functions to the Audit Chamber of Ukraine (see. Figure 1).

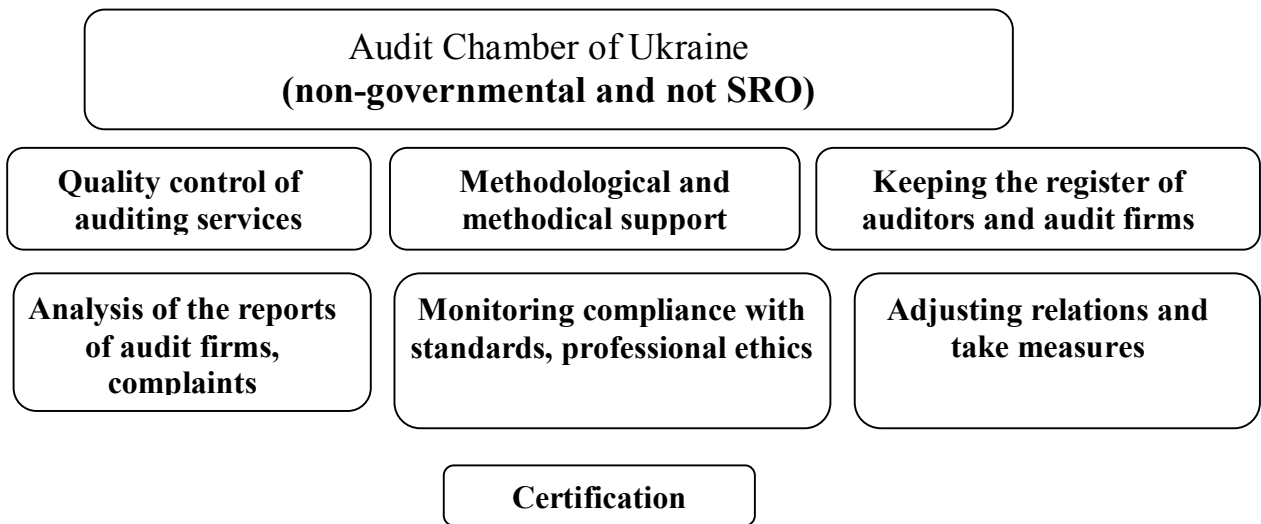


Fig.1. Functional model of organization of audit activity in Ukraine

The described functional model of external audit does not meet the requirements of Directive 2006/43/EC of the European Parliament and the Council «On statutory audits of annual accounts and consolidated accounts». The main reasons for reforming are the violation of the basic principles of effective functioning of the external audit system. For example, such principles as independent monitoring and control, independent financing, etc.

In Ukraine, Control Committee of the Audit Chamber makes quality control of audit services by its own staff and involves persons who are practicing auditors. Instead, the EU Directive and the experience of other countries emphasized that the principle of independent management should be provided by non-practitioners who have expertise in areas related to external audit. Thus, self-control violates the independence of those who simultaneously perform the functions of audit and control its quality.

The principle of independent funding is crucial in any field. «Committee for Quality Control» as the Audit Chamber itself is financed by contributions from individual auditors and auditing companies. According to EU Directive financing of external control authority should be guaranteed and free from any undue influence by statutory auditors or audit firms. For this reason, functional model of external audit system in Ukraine is inefficient and is not recognized by international public and private institutions.

The institutional model of the audit system involves a combination of organizational and methodological support functions in one organization. The requirements of Directive 2006/43/EC (Article 49) provide for the external audits organization presence of two competent authorities, not one as in Ukraine. However, the EU Directive did not mention specifically competent authority to conduct external quality control of audit services. This may be a public authority or Self-Regulatory Organization.

The state should not lose sight of such an important area of economic relations as an external audit. Therefore, reformation of the external audit system, in our opinion, should consist of delegation of powers from certain state institutions, which carry out supervisory and regulatory functions of the areas that are subject to external audit, to non-practicing individuals. Some other functions instead should be delegated to Self-Regulatory Organizations.

Fig. 2 shows the proposed institutional and functional model of the external audit system.

The proposed institutional and functional model of organization audit activity in Ukraine provides the functioning of two competent authorities in the area of external audit that meets EU Directive, in particular: authority of public supervision and the self-regulatory associations of market participants.

Function of public supervision authority should include:

- Governance of the Authority by non-practicing entities (auditors) who are delegated by state institutions with a minimum term of duties for at least 3 years and could be prematurely dismissed only by court order;
- Financing the Authority from the state budget and earnings from applied penalties (is used in foreign practice);

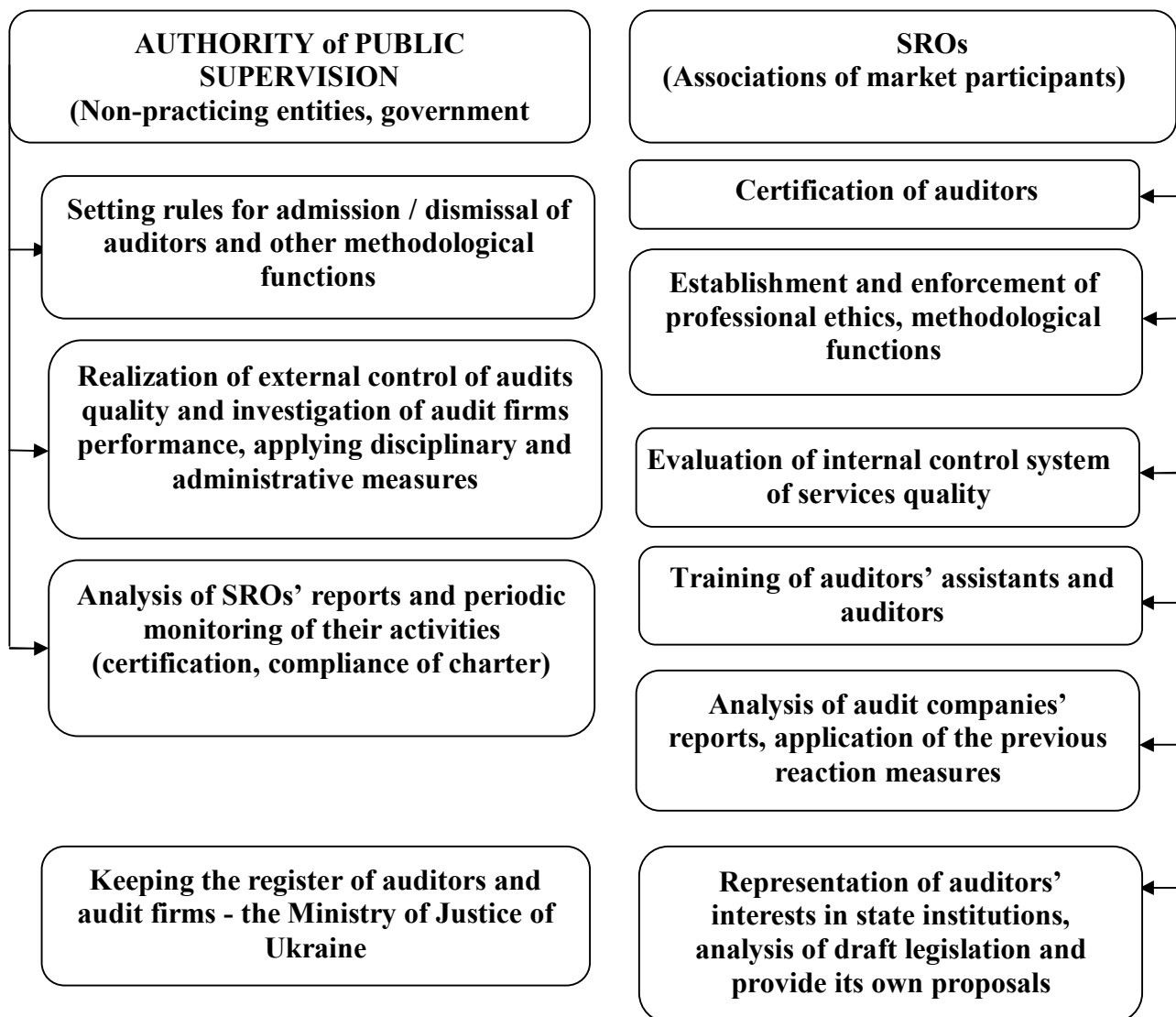


Fig. 2. The proposed institutional and functional model of organization of audit activity in Ukraine

- Investigation of auditors' and audit firms' performance, appliace of the appropriate measures and penalties. In my opinion, it would be logical to involve customers in the process of audit investigations, complaints and taking measures, but creation of the third competent authority is not provided for EU directive. For this reason, there is a dilemma: copying foreign requirements and approaches or creating own approach.

Thus, it is appropriate termination of the Audit Chamber of Ukraine, because:

- Firstly, it is proved that its activities are inefficient (adequate methodological framework for the functioning of audit is not created);

- Secondly, it has unusual features in line with international practice and the EU requirements, for example: external control of audit services' quality performed by auditors – practicing-members of the UBA.

Another competent authority for regulation and control of auditing in proposed model are self-regulatory organizations of auditors. In my opinion, the best approach is to delegate all the other functions to these organizations (see Fig. 2). This approach complies with the principles of subsidiarity and proportionality, which laid the foundation of the EU.

SROs should have only one source of earnings to cover current expenditures - annual fee for membership in the organization, depending on income and number of certified auditors in firms and individual auditors-entrepreneurs paying a flat fee. However, the certification, training and other activities of SROs must be payless.

It should be underlined that currently keeping the electronic register of auditors and audit firms is made by several institutions, including the Audit Chamber of Ukraine, the National Bank of Ukraine, National Commission for Regulation of Financial Services, the National Commission on Securities and Stock Market. Because in all inspections International auditing standards are used one for all auditors, and the difference lies only in the characteristics of the entities' activity (there is no special procedure for auditing of banks, insurance companies, etc.), the maintenance of separate registers is unnecessary and this function can be delegated to the Ministry Justice of Ukraine.

Important conceptual ideas in the process of the new institutional and functional model of external audit formation should be: the state can not and should not let out of its field the control for quality of auditors' and audit firms' performance, which play a significant public interest.

The realization of proposed organizational rules of the external audit will contribute to its approximation to the European standards and its further development.

References:

1. Адамовська В.С. Аудит в умовах ринкової економіки / В.С.Адамовська // Майбутнє – аудиту: мат. Всеук. наук.-практ. конф.–Кривий Ріг, 2007. – С.125-126.
2. Бондар В.П. Концепція розвитку аудиту в Україні: теорія, методологія, організація: монографія / В.П. Бондар. – Житомир: ЖДТУ, 2008. – 456 с.
3. Давидов Г.М. Шляхи реформування системи аудиту в Україні / Г.М. Давидов, О.А. Петрик // Наукові праці Кіровоградського національного технічного університету. Економічні науки, вуп. 22, ч.ІІ. – Кіровоград: КНТУ, 2012.
4. Директива 2006/43/ЄС Європейського Парламенту та Ради «Про обов'язковість аудиту річної звітності та консолідованої звітності» від 17.05.2006 р.
5. Єфименко Т. Невідкладність реформування аудиторської діяльності в Україні є обґрунтованою / Т. Єфименко // Незалежний аудитор. – 2012. – №7. – С. 36-39.
6. Закон України «Про аудиторську діяльність» від 22.04.1993. – [Електронний ресурс]. – Режим доступу : <http://www.rada.gov.ua>.
7. Макеєва Е. Кто контролирует национальных аудиторов? / Е.Макеєва // Бухгалтерський облік і аудит. – 2008. – №8. – С.60-64.
8. Редко О. Ю. Концепція моделі регулювання аудиту в Україні / О. Ю. Редко // Бухгалтерський облік і аудит. – 2012. – № 1. – С.42–48.
9. Сайт Європейської комісії [Електронний ресурс] – Режим доступу : http://ec.europa.eu/internal_market/auditing/gaob/index_.

1.2. HARMONIZATION OF ACCOUNTING IN UKRAINE

The accounting system is a complex form of interconnected theoretical and methodological components that change over time under the influence of external factors.

Study of the legislative regulation of accounting in Ukraine and the world indicates a spread of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). International Accounting Standards are advisory and are an international reference for harmonization and standardization of accounting and financial reporting worldwide. IFRS implementation in Ukraine is stipulated in the Law of Ukraine On Accounting and Financial Reporting in Ukraine. In a number of countries IFRS is used in the stead of national legislation, while in others it is merely a basis for developing national standards. International Accounting Standards (IAS) are of great international importance in conditions of foreign trade development, transnational corporations' dominance, and globalization of financial markets. The speed of their implementation indicates purposeful lobbying by internationalized owners of capital at the level of national governments to ensure business globalization.

In Ukraine, the national standards must comply with International Financial Reporting Standards, which are constantly being reviewed and supplemented. Public corporations, banks, insurance companies and private companies that conduct the type of business activities, which are listed by the Cabinet of Ministers of Ukraine, always use international standards for drawing up financial and consolidated financial statements.

International Financial Reporting Standards are a platform for the international accounting concept. The concept of international accounting ensures globalization of business and reflects the interests of international capital owners [6, 135].

For Ukraine the harmonization of accounting has become a particularly relevant issue after joining the WTO in 2008 and signing the Association Agreement with the

European Union (EU) in 2014. Association Agreement with the EU covers the following aspects of cooperation:

- 1) convergence of Ukraine and the EU on the basis of shared values and an increased participation of Ukraine in EU programmes;
- 2) cross-border cooperation in the field of foreign and security policy;
- 3) harmonization of Ukrainian and European standards in the field of law and internal affairs (by promoting the rule of law, democracy and human rights in Ukraine and supporting the fight against corruption, establishing effective justice department and improving data protection);
- 4) increased cooperation in the economic sphere through the creation of a free trade area between the EU and Ukraine and establishment of sectoral cooperation in over thirty areas of economic activity;
- 5) establishment of new cooperation forms, provision of financial assistance, creation of a civil society platform [1].

As a result of signing the Ukraine-EU Association Agreement, new objectives for Ukraine have arisen. They have not been fulfilled before, and now the agreement is a strategic reference point for social and economic policy in the country.

EU countries seek to achieve harmonization in relationships and in accounting framework. This direction of accounting development is further supported by the fact that there is typically some similarity in pre-existing systems of accounting in countries of the same region, which simplifies the preparation process for the transition to international standards [3, 5].

In 2013, the European Parliament and the EU Council adopted the Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, which sets new conditions for preparation, presentation and disclosure of financial statements, consolidated financial statements and a new procedure for recognition and measurement of certain types of assets and liabilities, income and expenditures. To ensure the implementation of the EU Directive, its main provisions should be included in the Law of Ukraine On Accounting and Financial Reporting in Ukraine. It is noteworthy that the provisions

of EU Directive in some cases differ from the rules of International Financial Reporting Standards. Therefore the assumption is that in Ukraine the companies that file financial statements as per IFRS, will use the provisions of IFRS, while the other businesses will adhere to the national accounting standards, aligned with EU Directive.

The differences between IFRS and Ukrainian Accounting Standards (UAS) are not significant (fig. 1). The main distinction is that statements under the international standards are formed based on the existing financial needs, whereas statements under national standards are formed exclusively to conform to the specifications of legislation. IFRS allow companies to deviate from their requirements, if the use of some positions in a certain period of time is inappropriate. At the same time, UAS do not provide such opportunities to enterprises, require full compliance with their standards. There is also divergence in the fact that financial statements by the UAS in some aspects differ from the reporting forms under IFRS. Specifically, the international standards do not regulate the order of elements in reporting forms, while the national ones do not allow deviating from the established format of financial statements [2, 16].

Several differences between UAS and IFRS arise from the use of chart of accounts in Ukraine, which leads to differences in accounting and displaying some assets and liabilities of undertakings. There are differences in the requirements for the recognition of intangible assets, details of analytical accounting, etc. IFRS provide a broad and detailed toolkit for determining accrual and calculating reserves, accounting investments and other financial instruments. The most significant difference between IFRS and UAS is attention to detail. Meaning, international standards contain many notes, which make it possible to clearly describe the attributes of transactions. In particular, IFRS include more detailed requirements for disclosure of accounting policies, unused credit, allocation of funds related to the shares of joint capital, etc. The national standards do not envisage such detail [2].

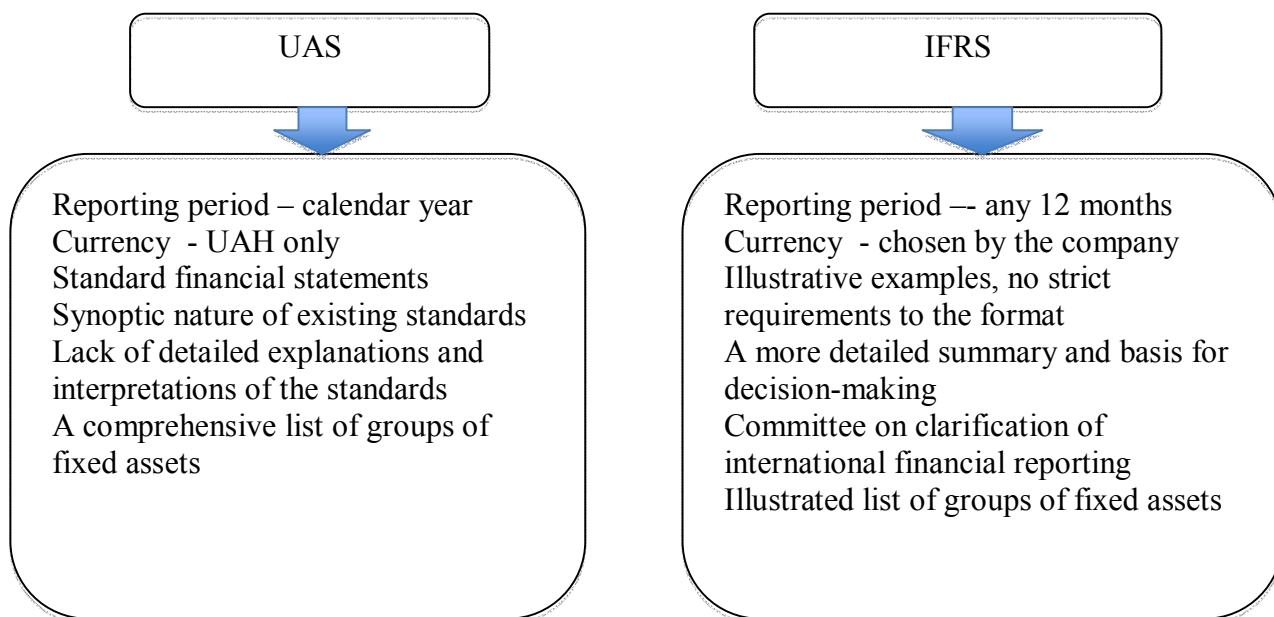


Fig. 1. Main differences between UAS and IFRS

The Ukrainian accounting system is faced with a need to transition to IFRS. The scientists have identified a number of reasons that push Ukraine to the transition. First, it concerns the international unification of accounting, i.e. financial statements prepared in accordance with IFRS are comprehensible for all businesses, both domestic and foreign, limiting the accounting misunderstandings. Secondly, the transition to IFRS should become an essential help for the bookkeepers in the process of accounting, reporting and providing fast and accurate information to users [1, 11].

The harmonization of accounting standards based on IFRS and effective governmental control will meet the demands of all major users of financial statements: the state, business owners, and investors (Fig. 2).

Harmonisation is an adjustment, coordination of different systems of accounting and reporting for the purpose of comparability of information, its global comprehensibility. Harmonization means bringing national accounting systems in line with globally accepted principles, rules, requirements, and provides for the preservation of certain differences caused by national, historical and economic peculiarities.

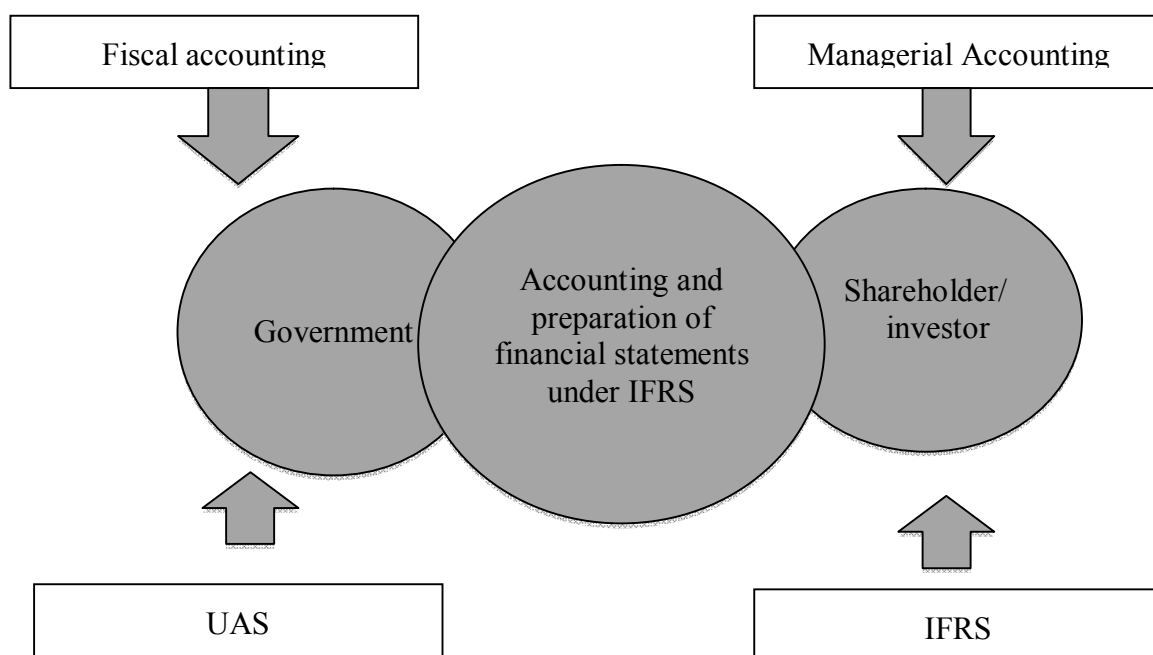


Fig. 2. The concept of accounting harmonization

Such harmonization will help: increase comparability of financial statements of different countries; activate the circulation of capital; increase overall methodological level of accounting; allocate global resources in the optimal way [3, 11]. However, harmonization of accounting is possible if it is carried out in a regional structure that is within a group of countries with similar socio-economic and political conditions.

Harmonization may be carried out at a country, regional and global level.

It is necessary, however, to distinguish the concept of ‘harmonization of accounting and financial statements’ from the ‘harmonization of accounting legislation, legislation on financial statements’, as they are not identical in meaning.

Harmonisation of the legislation in general (both economic and/or accounting, financial in particular) is defined as bringing the respective laws of the member states and non-members in line with the EU requirements under EU regulations.

In official documents the often used term is ‘adaptation’. Under the provisions of the National Program of Adaptation of Legislation of Ukraine to the Legislation of EU (2004) [4], the adaptation lies in making laws of Ukraine and other legal regulation compliant with the *acquis communautaire*. On the other hand, the action plan of Ukraine mentions direct harmonization of legislation. As shown by the practices of European integration unions, despite the use of different terms in the EU

law, and in Union's agreements with third countries, it is essentially the same process of bringing national legislation in line with the requirements of European integration organization's law.

Since 2015, Ukraine has started a full-scale tax reform, as a result of which in early 2015 the mechanism of calculating income tax was completely redesigned. Most of the changes were made according to the requirements of international lenders such as the IMF, EU and the US.

Theoretically, since 2015 the term 'fiscal accounting' for income tax has been completely eliminated and all types of financial reports in 2015 were based exclusively on the rules of accounting. However, the Tax Code of Ukraine is intended for filling the budget, so it contains its own interpretation of some business operations of income taxpayers that do not conform with either national or international standards of accounting and financial statements.

Despite the fact that since 2015 Ukraine has a revised approach to the calculation of taxable income and a legally secured dominance of accounting, the model of accounting in Ukraine can be considered reformative, which corresponds to the model of most of the new EU members. Frequent changes of the dominant institution (accounting or taxation) prevents ascribing the Ukrainian accounting model to any other historically formed model. Currently the debate on the selection of a new, acceptable for the national economy, enterprise profit taxation system continues. Such instability in the interrelation of financial and fiscal accounting could complicate a potential process of harmonization of enterprise profit taxation in Ukraine.

Considering the potential consequences of harmonization of enterprise profit taxation in the EU, as well as the current state of the Ukrainian economy, we can say that Ukraine is not ready to implement rules unified with those of European countries on forming the taxable profit. But today resolving this problem is not a priority, as the process of harmonization of enterprise profit taxation in the EU is still a relatively far-fetched prospect. However, the potential likelihood of achieving such harmonization requires Ukraine to carry out measures aimed at easing inclusion in

this process.

At present, the EU includes countries with different models of interrelation between financial and fiscal accounting, different approaches to determining taxable income, varying rates of income tax, different tax incentives. Each of these approaches has its advantages and disadvantages and, in principle, each of them can be adapted for use in Ukraine. However, according to the study, preparations for harmonization of enterprise profit taxation are not limited to bringing the individual elements of enterprise profit taxation in line with the European standards. The majority of problems with potential harmonization caused are by a high level of macroeconomic instability in Ukraine, still unsatisfactory tax culture and morality, and differences in the models of interrelation of financial and fiscal accounting (or rather – the undecided controversy of Ukrainian model). Hence, reforming the system of enterprise profit taxation in Ukraine in the context of the Association Agreement between Ukraine and EU should be organized in two stages.

The first stage – the formation of the enterprise profit taxation system that would help address the current problems of Ukrainian economy (including the budget deficit, poor tax culture, high share of shadow economy, corruption), and would boost the potential development of the industry and stimulate investment and innovation activity.

The second stage – incorporation of the requirements of the EU on harmonization of the enterprise profit taxation.

The criterion for the transition from the first to the second stage should be the stabilization of the macroeconomic environment and institutional framework.

In our opinion, in future Ukraine has all the prerequisites to use accounting as a means of economic regulation. This requires ensuring that the basic purpose of accounting – to provide reliable information to users – is fulfilled, which in turn will ensure the comparability of the information contained in the financial statements.

References:

1. Алексеева В. О. Проблеми впровадження міжнародних стандартів фінансової звітності в Україні / В. О. Алексеева, С. О. Клименко // Економічні науки. сер.: Облік і фінанси, 2013. – Вип. 10(3). – С. 10-14.
2. Впровадження міжнародних стандартів фінансової звітності: краща світова практика, українські реалії та досвід країн СНД [Електронний ресурс]. – Режим доступу: <http://www.nabu.com.ua/Analitics/MSFO.pdf>.
3. Задорожний З.В. Актуальні проблеми бухгалтерського обліку в Україні // З.В. Задорожний. - Збірник наукових праць кафедри економічного аналізу ТНЕУ „Економічний аналіз”, Випуск 6, м. Тернопіль, 2010. – С. 163-169.
4. Мэтьюс М.Р Теория бухгалтерского учета / М.Р. Мэтьюс, М.Х.Б. Перера / [пер. с. англ., под ред. Я.В. Соколова, И.А. Смирновой]. – М.: Аудит, ЮНИТИ, 1999. - 663 с.
5. Про Загальнодержавну програму адаптації законодавства України до законодавства Європейського Союзу: Закон України від 18 березня 2004 р. / Відомості Верховної Ради України. – 2004. – № 29. – 367 с.
6. Шигун М. М. Парадигмальний розвиток системи бухгалтерського обліку / М.М. Шигун // Часопис економічних реформ. – 2013. – №3. (11). – С. 134-139.

1.3. ACCOUNTING INFORMATION AS AN ORDERED SYSTEM OF ARTIFICIALLY CREATED INDICATORS

In a short time, information and communication technologies have become an integral part of modern market society. In many countries, the ability to proficiently use these technologies is part of a successful business. The introduction of information and communication technologies to the economic activity of enterprises facilitates quick meeting of information needs of concerned internal and external users.

The use of information technology in the management of an economic entity is particularly necessary since managerial decisions are able to change the whole system of management in general, and the effectiveness of any enterprise depends on their accuracy and timeliness. One method of improving the management system is the introduction of new information systems through automation of accounting as a source of information for such a system. This allows to optimize the exchange of information, reduce the workload of the accounting staff and allows the enterprise management to make effective managerial decisions.

Recently, problems associated with the use of information resources in managing economic entities become particularly relevant due to the wide development of works on the automation of accounting. Works of A. T. Hershenhoryn, V. I. Podolskyi, V. P. Zavhorodnii, F. F. Butynets, S. V. Ivanenkov are dedicated to these issues. The interpretation of accounting as «part of the overall information system, which converts the raw data recorded in the documents in the product for management» and as a «means of production of good of a special kind, i.e. information» [1, 59] is highlighted in numerous works of M. S. Pushkar. Problems of functioning of the system of accounting and the need to provide management with relevant information are reflected in the works of Ya. V. Sokolov, Z. V. Hutsailiuk, V. V. Sopko, Ye. V. Mnykh, S. F. Holov and many others.

Automation of accounting is inextricably linked with the concept of economic information. There are several approaches to the definition of information in the accounting scientific thought, although the most common are scholastic and structural ones.

Scholastic approach defines information in terms of reducing the factor of uncertainty in any process, system, etc., and treats it as information about any object, an event, a fact, which reduce uncertainty in a particular area of expertise.

Structural approach considers information as a set of interrelated indicators, each of which has a specific meaning and significance.

Later, this definition was supplemented by the use of a process approach: information is data on anything and is subject to collection, storage and transmission. Thus, this approach identifies, in fact, only the stages of information movement and does not indicate their functional basis.

While agreeing to use the structural approach to the definition of information, the importance of its post-process and functional components should be emphasized, in our view. In modern conditions the latter part is not considered enough, because the use of information in a particular area depends on the functions it performs. Therefore, the functional basis of economic information should be identified, or its division into an economic and a non-economic ones should not be considered. Thus, economic information is an orderly set of artificially created indicators, which performs the function of notifying the responsible persons on the state of economic processes in a particular time by its collection, processing, storage and transmission. According to this interpretation we can give a definition of accounting information, or any other kind of information: marketing, financial, managerial and so on.

Accounting information can be defined as an orderly system of artificially created indicators, which performs the function of notifying concerned users on the state of assets, capital, liabilities and business processes at a particular time by its collection, processing, storage and transmission. As it is pointed by N. A. Bortnyk, «the specificity and importance of accounting information is that it is the basic information that comes from a managed facility to a managing one» [2, 66]. Using

accounting information, a managing object carries out preliminary, current and subsequent control of a managed object, and the connection with the external environment at the entrance and the exit of the management system.

The same author is of the opinion that the accounting system is similar to the management system. In our opinion, the accounting information system should be considered as a functional subsystem of the management system.

Information approach is associated with the notion of relevance, i. e. appropriateness and usefulness of the information. Ya. V. Sokolov defines relevance as [3, 382]:

Table 1

Relevance of accounting information

Characteristic	Description
Syntax	if the information contributes to the achievement of the user's goal
Semantics	if the recipient understands the content of the information provided
Pragmatics	if the information facilitates the decision making of its user

According to V. I. Podolskyi, relevance may be defined as the relationship between the owner of the information and its concerned user [4]. Synthesis of approaches proposed above allows us to understand the nature of relevance by defining the syntax as its objective side and semantics as subjective one. Pragmatics combines both subjective and objective nature and is the result of synthesis of semantics and syntax.

Thus, *the pragmatic aspect* is connected with the consideration of value, the usefulness of using the economic information for making a right managerial decision. This allows to separate the desired information for each level of management. *Semantic aspect* provides the study of the substantial load of information, determination of the relationship between its constituent parts. *Syntactic aspect*

allows to set the parameters of information flows, consider the forms of presentation of information, its media, encoding methods.

D. Sorter figured out that traditional accounting comes from the interpretation of the subject as a cost or cost estimation of accounted facilities. In his opinion, information event, by which he understood the elementary unit of information, the fact of economic life, should be put at the basis of a subject. Identification, search for such units is, in his opinion, the essence of accounting [3, 381]. Sorter called such accounting a situational one and it must meet the following requirements:

- the purpose of accounting is to provide information on all «current» events, which can be used in multiple models of decision making;
- the function of accounting is not a direct representation of information for a decision-making model, but the presentation of a maximum possible amount of data from which the user selects the required information, taking into account the characteristics of his model;
- the task of accounting is, according to data on external changes, to predict future possible events with the highest probability [3, 380]:

The event, which the reporting is based on, is a fact of economic life, but the subject of accounting, that is an event for an accountant is a primary document, as the bearer of certain information (receipt of bill of materials, not the receipt of materials is an event is for an accountant). This approach allows to separate an event (information aspect) from the fact (economic aspect). Thus, information recorded in some form is called a message or an event. From this perspective, reporting is generated at the output of an accounting procedure in order to make managerial decisions.

P. Bird saw accounting as a means of communication through information exchange between a transmitter, i. e. an accountant and a receiver, i. e. a director. Each transmission of an information message is a stimulus (S), which should generate a corresponding reaction from a receiver (R). When transferring, the inevitable errors occur, which are treated as obstacles [3, 381].

Bird's information model identifies three aspects of data transmission: technical aspect, informative aspect, the efficiency of data collection (economic dimension).

The full set of data, organized in terms of their treatment in accordance with the purpose and objectives of management by defining the relationship between units of information is called information system.

They are classified as follows:

- input or primary arrays designed to display information about the state of the managed object;
- intermediate arrays are based on input arrays data according to the relevant algorithms;
- variable arrays contain information, which is generated based on the input data and is stored in permanent and service arrays; these data are used in one or more cycles of information processing;
- adjustment arrays contain the data to be included in arrays of permanent information;
- working arrays contain the data for solving specific problems;
- permanent arrays contain conditional permanent information;
- service arrays are programs, which directly control the process of data input, processing, analysis and storage.

During the managing of the enterprise numerous flows of different information in the form of statements and reports on phenomena, events and production processes are processed. All information flows are distributed between management objects and depend on the performance of individual departments, services and structural divisions of an enterprise.

Synthesis of economic literature on the researched issue allows us to classify the information circulating in the management process, as follows:

1. By designation: production and economic; general economic;
2. With respect to management functions:
 - a) projected (planned);
 - b) accounting: financial accounting, management accounting;

c) analytical: operational analysis; retrospective analysis; prospective analysis;

3. According to stages of formation: primary; secondary; intermediate; productive;

4. According to sources the origin and use: external; internal;

5. According to the quality: reliable; unreliable;

6. According to the degree of saturation: sufficient; insufficient; excessive.

7. According to frequency: extraordinary; daily; weekly; monthly; quarterly; yearly;

8. According to the type of media: printed; on storage media;

9. According to the type of image: sign; graphic;

10. According to life span: constant; variable;

11. According to the segment of activities: geographically and by sector;

Information has specific requirements:

1. Brevity, clarity of wording, timely receipt;

2. Meeting the needs of specific users;

3. Accuracy and authenticity, proper selection of raw data, optimal systematization and continuity of data collection and processing.

Ya. V. Sokolov provides the following features of accounting information:

- multiple use;

- concentration (significance);

- artificiality;

- purposefulness;

- analyticity.

In these circumstances, accounting and economic information should solve the following problem:

- form the information in a systematic order according to the whole set of indicators, which characterize the use of material, labor and financial resources of the enterprise as a whole and its structural divisions;

- ensure all levels of management have the necessary analytical information;

- serve as a source of generating optimal management decisions in the form of feedback and improve both the object and the system on this basis.

The information system of the economic nature, which is known as economic information system in economic literature and provides the processing, search, storage and delivery of information for a customer is central to the system of economic objects management.

Functioning of accounting information systems involves creating conditions for providing the records for information requests of all interested users. These systems, in our view, should include the following key points:

- ***the nature*** of the accounting information system is in constant exchange of information between users and its generators based on communication processes, and improving its effectiveness on this basis;
- ***the purpose*** of forming the accounting information system is increasing the efficiency of economic activities of the society by providing information support for users in making their strategic and operating decisions;
- ***the task*** of forming the accounting information system is to provide information support to users in the decision making process and improve the management of the enterprise;
- ***the basic principles*** of forming accounting information system are:
 - *usefulness* of information resources in terms of users;
 - *availability* of information to its consumers;
 - maximum *satisfaction* of information requests of all participants of the generation process and consumption of accounting information;
 - *appropriateness* of information relations (excess of benefits over costs) in terms of the formation, transfer and acceptance of accounting information for individual subjects and society in general.
- ***structure of a single accounting information system***: the following should be the elements of accounting information system: 1) the accounting knowledge (theory of accounting, a set of methods, techniques and procedures developed within the financial accounting); 2) controlled accounting information (system of accounting concepts and standards) external to the entity; 3) information of financial reporting.

- *subjects* of accounting information system are generators (specialists, scientists, accountancy organizations, committees on standards) and consumers of accounting information resources.

For modern conditions it is typical to use highly efficient intracompany information system based on the use of new technical means of automated processing of data and text information combined in a single grid. Management information systems consistently implement the principles of unity of information process, information and organization through the use of technical means of collection, accumulation, processing and transmission of information in conjunction with analytical methods of mathematical statistics and models of analytical calculations.

Intracompany information systems perform the following functions:

- identifying the needs of each manager in the nature and content of necessary information for the operational management of production and marketing activity;
- centralized forecasting of all costs for purchase, lease of technical means to ensure continuous operation of information systems;
- determining the level of expenses on the use of technology in the information system (maintenance and staff training, payment for facilities used, the cost of the purchase of supplies, etc.);
- ensuring the appropriate level of collecting, storing and providing information;
- developing software tools and applications.

To separate accounting information system, in our view, it is necessary to apply cybernetic approach and examine it from two sides: a management subject and a management object. The object of management in the case of accounting information systems is accounting information, which determines its specificity.

It is possible, in our view, to highlight organizational, technological, financial, human resource, legal, linguistic, mathematical and ergonomic support of information systems.

Ergonomic support implies a set of methods and tools, which create optimal conditions for the development, implementation and deployment of appropriate technologies of proper functioning of the information system of accounting.

Linguistic support of accounting information system is characterized by a system of terms and artificial languages (macrolanguages) and formalization rules.

Legal support of the accounting information system is a set of rules expressed in the regulations, which establish and affirm the organization of these systems, their purpose, objectives, structure and functions, legal status. With its help legal regulation of the development of software solutions and relationships between developer and customer is carried out. It includes a general part (normative documents regulating the activities of accounting information system) and a specific part (legal support of decision making). Currently, the Ukrainian market has more than 10 products, which carry out legal support of decision making and can be integrated into the accounting information system.

Organizational support includes a set of methods and means, through which the regulation of cooperation between personnel and technical tools involved in the processing and maintenance of data in the process of the functioning of the system is carried out.

The structure of organizational support of information system includes:

- computer center for servicing the company as a whole;
- the central information service;
- an information system in production units, including units of processing and analyzing information; processing incoming and outgoing documents; storage and distribution of information materials; computing.

Technological support has the following main characteristics: a functional unit of the system is computer work (an operation); a structural one is an AWP (automated work place); an information one is a file.

Mathematical support of accounting information system is a combination of methods, rules, instructions, mathematical models and algorithms for solving financial and accounting problems, information processing and decision making.

Currently, the major challenge is to determine the type of information formed in accounting. The system of accounting information contains confidential information, which is designed for internal users and is protected by the law on commercial

secrets. A part of this information may be useful to external users, but can be useful to competitors. The final stage of the accounting information system functioning is the communication of information to persons who make decisions.

Accounting in the information system shall contain any kind of information to make decisions, that is perspective, current, previous, monetary, quantitative and non-quantitative ones as accounting is a tool, with the help of which you can turn to the economic reality.

Today, the management of the enterprise is seen as a unit consisting of interrelated subsystems, which provide relevant information to the administration, who make decisions, that is why economic information system should have integrated ability to perform input, storage, processing and output, and is closed within these limits (including the communication system); contain working subsystems that are its continuation; should have integrated resolving rules in non-autonomous programs for the continuous processing of large volumes of information; serve a group of people who make decisions; contain a mechanism to generate the response (i. e. the principles of feedback).

In a market environment of the enterprise, significant changes, which create a certain environment of both external and internal factors, take place in the process of creation and use of economic information to manage production and financial activities of enterprises. The first group of factors is linked to the changing of the role and tasks of accounting. Firstly, to the transition from a strict regulation of rules for the formation of accounting information to multiple choice and the necessity of choice. Secondly, from the traditional tasks of accounting system, which determined information for the needs of centralized control, to the formation of information, which meets the needs of many users to make informed decisions related to the activities of the entity.

The second group of factors is linked to the attraction and use of experience of foreign organizations in the transition to market, including experience in the management and the role of accounting information in the process.

The third group of factors combines changes associated with the development and use of the legal framework of the company. An important element of this framework should be regulations governing the formation of the required management information by the accounting system.

A fourth group of factors includes growth in the number of users of accounting information, particularly external ones (shareholders, investors, creditors, suppliers, tax authorities, etc.), which changes the role of the financial reporting. From these perspectives, the financial reporting should be a source of trustworthy, timely, sufficiently reliable financial information for proper assessment of the financial and economic status of the entity (profitability, liquidity, solvency, etc.).

Traditionally such requirements as objectivity, trustworthiness, timeliness and accuracy were posed to accounting information at all stages of the activity of an economic entity. However, at the current stage of management improvement and market economy these requirements only are not enough. In modern conditions the information provided must be of high quality and efficient, meet the needs of both external and internal users of information. This means that the accounting information should contain the minimum number of indicators at their maximum efficiency and to meet the needs of the maximum number of users at different levels of management hierarchy. The information provided must be necessary, appropriate, essential, eliminate the extra indicators and be formed at the lowest labour and time cost.

Thus, automation of information processes within the economic entity should be of a diverse, but an interrelated nature that stems from multidimensionality of economic information. The combination of all types of accounting information systems support can simplify the modeling of economic processes and improve information provision of users. This would allow to compile a diverse and versatile reporting by any standards and demands of interested users.

References:

1. Пушкар М.С. Креативний облік (створення інформації для менеджерів): Монографія. [Текст] / М.С. Пушкар. – Тернопіль, Карт-бланш, 2006. – 334с.
2. Борник Н.А. Первичный учет в автоматизированных комплексах. [Текст] / Н.А. Бортник. – М.: Финансы и статистика, 1991.
3. Соколов В.Я. Бухгалтерский учет: от истоков до наших дней: Учебн. Пособие для вузов. [Текст] / В.Я. Соколов. – М. Аудит, ЮНИТИ, 1996. – 638с.
4. Подольский В.И. Информационные системы бухгалтерского учета. [Текст] / В.И. Подольский, В.В. Дик, А.И. Уринцев. – М.: Финансы и статистика, 1992. – 148с.

1.4. VALUATION IN THE CONDITIONS OF COMPUTER AND COMMUNICATION ACCOUNTING FORMS

The accounting valuation is an important component of accounting methods as it provides the conversion of disparate economic gauges into a monetary one. Socio-economic processes acquire monetary value through valuation. A «valuation» method appears to act as an integrator of economic processes towards accumulating accounting information on accounts first, and later - in reporting. There are many methods for valuation in accounting. Many variations of valuation raise a problem of comparability of information on similar assets or liabilities in various enterprises. First, historical valuation of acquired assets and liabilities developed. However, with the acceleration of economic development it became necessary to level the effects of inflation and devaluation of the currency on the accounting system. Raymond John Chambers in 1966 in his work «Accounting, Evaluation and Economic Behavior» offers to use the approach based on the fair value to valuation («continuously contemporary accounting») [1, p.51].

Valuation acts as an intermediary between primary accounting documents and accounts. By automating accounting functions, the effect permanency and timeliness of accounting information is achieved, which is important for equitable accounting valuation. The use of modern computer and communications technology greatly altered the processes of documentation and formation of accounting entries. The transformation of information into electronic form and provision of its access for a wide range of consumers in terms of remotability and efficiency took place. As a result, accounting valuation, which is a link between documentation and double-entry, has undergone transformations in the conditions of computer and communication accounting forms, which actualizes the subject of scientific research.

Modern computer programs for automation of accounting have a function of simultaneous handling of multiple calculation units. Business transactions can be accounted by easily transformed gauges. Depending on the needs of the specialist it is

possible to automatically transfer various measuring gauges between one another, for example, pieces into packaging, liters into cubic decimeters, tons into kilograms etc. Also each accounting object can be displayed according to different costs: cost price, cost of purchase or sale, discount, promotional, or the added cost etc. Free transfer to different gauges and prices does not affect the economic content of the accounts.

Similarly takes place an automatic transformation of business transactions from one currency to another. Without breaking the principle of a single monetary gauge in accounting, all primary, storage and reporting documents can be displayed in different ways. Accounting information is displayed in a convenient form and in the desired foreign currency if needed. Automatic currency conversion in the accounting process allows to level the differences between national accounting systems within different countries. Ease of communication is provided in the process of familiarization with the company's business and its financial condition by potential foreign investors, creditors and partners.

Accounting of assets and liabilities of the enterprise according to different methods of valuation may be useful in many cases. An accounting specialist can operate the information according to multiple variable data valuations for each object. The same business transaction may be assessed differently for the purposes of financial and management accounting separately. If the accounting valuation should be clearly regulated for financial accounting, the intracompany accounting may use different valuation methods of the economic activity for the purpose of strategic planning. It is recommended to predict the impact of the choice of the valuation method on the financial condition of the company. Modern software can simulate the results of business operations according to various methods of valuation before the end of the reporting period or operational cycle. The method of valuation, the use of which will provide the best financial result according to the forecast, is basically appropriate for a particular company. Therefore, the tax base can be effectively reduced and the business of the company may be optimized through the efficient accounting policy in the area of accounting valuation.

Certain methods of valuation of assets and liabilities in the conditions of computer and communication accounting forms are of a higher priority because of their effectiveness and efficiency (Table 1)

Table 1

Choosing the best method of valuation of assets and liabilities of the enterprise in the conditions of computer and communication accounting forms

No.	Accounting object	Alternative methods of valuation	Recommendations
1.	Inventory	1) identified cost; 2) weighted average cost; 3) first in first out (FIFO) 4) target costs; 5) sale price.	Identified cost of each unit of inventories, which were received, are stored and were disposed by the enterprise
2.	Unfinished production	Same	Identified value of inventories that are in production
3.	Depreciation of fixed assets	1) straight line; 2) reduction of the residual value; 3) rapid reduction of the residual value; 4) cumulative; 5) production	The production method is proportional to quantitative parameters of production or other economic activity
4.	Long-term financial investments	1) the initial cost; 2) participation in the capital; 3) the amortized cost; 4) discounted cash flow; 5) other methods.	Methods to predict the future value of investments
5.	The value of fixed assets	1) initial; 2) residual; 3) liquidation; 4) fair; 5) other value of assets.	The fair value is based on the determination of market supply for identical assets
6.	Revaluation of fixed assets	1) revalued; 2) not revalued.	Revaluation is based on automated flow of information on indicators of economic development
7.	Other assets and valuation liabilities		Methods that take into account changes in inflation, devaluation and fluctuation of foreign currencies

Different valuation methods of disposal of inventory are suggested to the choice of an accountant. Accounting of inventory at weighed average cost, FIFO provides subjective and relatively reliable data. Application of the valuation method according to target costs and sales prices implies a departure from the historical approach to accounting of inventory and is too unpredictable in nature. With the use of modern information and communication technologies, which provide a significant level of efficiency and reliability of accounting, approximate accounting data are unacceptable.

In the conditions of automation of accounting when each unit of inventory is subject to identifying, the best valuation option is the evaluation method is the method of identified cost. Accounting according to consignments and objects allows to determine the number and value of current assets at the time of their receipt to the enterprise. Each item of inventory is marked with the introduction to the database of all accounting information. It is possible to reliably determine the total cost of a set of inventory from different parties at the time of writing-off. Timeliness and completeness of accounting information on receipt and writing-off of current assets is ensured.

It is also recommended to carry out valuation of unfinished production by method of identified cost because each item of inventory, which is transmitted to the production process, is identified. It is possible to reliably determine the number and value of current assets, which are disposed from the turnover of the company in case of the continuation of production in subsequent reporting periods or cessation of production activities with the return of inventory to the warehouse. Control over the preservation and use of current assets, which left the warehouse territory, but not yet fully transformed into finished products and therefore not put into storage is ensured. In other words, the control functions are implemented in the industrial transformation of the inventory of the company in the areas of difficult control.

Valuation of current assets write-off is becoming a part of inventorying due to marking and automatic tracking of inventory. Inventory control of receipt, storage and disposal of inventory is based on the method of identified cost. That is movement

of each separate unit of inventory is monitored with reflection on accounts. This inventory control and accounting is carried out on a regular basis and continuously throughout the business activity of the enterprise.

With a detailed accounting of inventory according to objects received from production, depreciation of fixed assets by the production method is simplified. It is advisable to depreciate fixed assets at the end of the reporting period (not necessarily the month) based on the number of manufactured products and planned output of equipment. Only the production method reliably takes into account the physical depreciation of fixed assets and considers operating activity. Other methods associated with a time gauge, which displays the result of equipment aging due to its storage at the enterprise and does not concern the production processes. Taking into account the operating life when calculating the depreciation can be useful only if a fixed asset is subject to rapid moral depreciation. In all other cases it is recommended to carry out automated accounting of depreciation according to production method, which does not necessarily have to take into account only the number of manufactured products.

Accounting of depreciation can also be carried out based on quantitative parameters of economic activities of the entity. Often companies of a non-production sphere may depreciate based on the number of accepted customers; employees serving fixed assets; the duration of the equipment work; other units, which characterize the productivity of activities. By using various quantitative gauges, the possibility of using production method for depreciation for equipment of distribution and partly administrative purposes appears.

The introduction of computer and communication accounting forms allows to quickly obtain economic information from the Internet. All changes in key indicators of socio-economic development are automatically collected by the accounting system in the company. Receipt of information about changes, which were recognized as significant, can initiate the process of their automatic display on accounts. If the threshold of significancy is exceeded, the system is capable of automatically conducting the revaluation of assets and liabilities of the company. For example, after

the yearly of devaluation by more than ten percent the cost of fixed assets will be proportionally increased with the formation of the relevant accounts.

The methodology of accounting of valuation liabilities is also changing. It is recommended to account such liabilities by the present value, which takes into account the refinancing rate of the National Bank. It is recommended to make the automated processing of accumulated information on socio-economic indicators the basis for accounting long-term liabilities and financial investments by discounting future cash flows. Significant changes of economic development indicators can be taken into account by the system of accounting and management before the end of the reporting period or operational cycle. Automated discounting can be considered an element of forecasting the activity of business entities and rapid response to the transformation of internal and external management factors.

Adjustment of the actual value of fixed assets and valuation liabilities of the company takes place under the conditions of significant fluctuations of the foreign currency and hyperinflation. International economic integration requires accurate valuation of investment projects. There arises a need in estimating property and debts of the enterprise through the determination of fair value. Fair value as opposed to historical (initial) one is based on the actual value indicators.

However, valuation of accounting objects according to fair value is subject to much criticism due to the departure from the canonical procedures of the initial recognition of assets and liabilities of the company. According to H. H. Kireitsev, fair value is unable to be the basis of accounting valuation, as a method of quantification of economic reproduction, and therefore cannot be the basis of the methodology of valuating the facts of economic life [2, p. 27]. I. Chalyi proves that the fair value is applied when the accountant cannot take responsibility for the accuracy of the amount of historical valuation or in the absence of objective universal gauge [3, p. 5]. However, it is possible to carry out valuation of accounting objects on the current date, which is important in permanent changes of external conditions of operation, only when determining the fair value. Instead, the reliability of the historical valuation can be provided only in an ideal economic environment with annual

revaluation of assets and liabilities of the company. In case the change in indicators of socio-economic conditions is so fast that it cannot be reflected in the accounting system or revaluation is not carried out systematically, determining the fair value is an effective method of accurate valuation.

Given that the determination of fair value is based on actual market prices, often market and fair value are deemed to be the same. The difference between the values is justified by the International Valuation Standards, according to which market value is the estimated amount of money, for which an exchange of an asset between a willing buyer and a willing seller would be carried out at the date of valuation as a result of a commercial transaction after proper marketing, in which each party would operate, being well aware, prudently and without compulsion.

Fair value is the estimated price for the transfer of assets or liabilities between specific and informed interested parties, which reflects the respective interests of each party [4].

So one of the elements of a fair valuation is determining the market value, which is based on open and public pricing. In other words, the market valuation is carried out by marketing determination of the cost of similar assets or liabilities in the free market with the equilibrium of supply and demand and the conclusion of a commercial agreement, which may not be done while determining fair value.

In most cases, determining the market value without the use of effective methods of market monitoring is a fairly abstract category. An accountant, who cannot be an expert in material and technical support, market assessment, investment analysis, is not capable of reliably determining the market value of the accounting objects. Similarly, the lack of reliable communication links can lead to receiving false information about the price of the object on the market. There are also subjectivity specialists in accounting and control in selecting the similar object to compare its value with a valued asset or liability. An accountant of the enterprise or the one, who requested the valuation to be carried out, may resort to price manipulation and influence the choice of objects for comparison. There arises a need to engage an independent auditor or a market expert, which increases the cost of the valuation.

Transformation of valuation methods of accounting objects of the company takes place in the conditions of computer and communication technology. In particular, it is recommended to use the pricing mechanism on the Internet market of goods and services, which is called as «analogue sales». That is, the seller monitors the value of each unit of the goods of competitors on the Internet. Price similar or close to the one identified online is set. As a consequence, all Internet shops enter into an unconditional cartel conspiracy.

Methodology of analogue sales on the Internet market should be used in conducting a market valuation. That is, when determining the market value similar objects should be identified on the Internet with the calculation their average price.

A computer program to automate the valuation on the Internet should contain a Web module. Identification of similar objects for the next comparison is done after entering the most detailed description of the valuation reference sample into the search engine. It is advisable to select twenty percent of the data found with a maximum level of matches by search phrases from the resultant list of the web search. Thanks to automated selection objects, which accidentally hit the search results, outdated information and those, which are no longer relevant, are eliminated.

It is recommended to refer the control sample of valuation objects for an expert study for specialists, who manually check the search query. After confirming the reliability of automated sample it is possible to proceed to determining the market value of assets and liabilities of the company. It is suggested to sort the search list in descending order of cost of accounting objects found on the Internet. It is reasonable to reject ten percent of objects both with maximum and minimum prices, which would allow to avoid statistical errors. Products with speculative or artificially inflated prices are eliminated. After the selection you can begin to determine the average market price based on quantity and price on the market. The weighted average method gives more accurate data compared to the calculation method of average cost and allows for the discount when purchasing several items. That is, if the company needs to assess a number of similar assets, it is advisable to use the

weighted average method, if there is one object of valuation the method of determining the average price is a more preferred one.

So, the use of computer and communication equipment allows to determine the market value automatically in the process of valuation (revaluation) of accounting objects without the direct involvement of accounting professionals. It is possible to reliably determine the market value of the assets and liabilities of the company based on the calculation of the weighted average price of the valuation object by searching the Internet for analogs. Valuation (revaluation) of objects with reflection on accounts may be carried out periodically according to the developed algorithm after receiving information from the Internet on foreign exchange rates, inflation rate, mandatory bank reserve requirements, stock exchanges indexes or value of similar goods and services on the market. It is necessary to consider the possibility of multivariate methods of valuation of assets and liabilities of the enterprise by different gauges, prices, currencies, valuation methods when developing modern software to automate accounting functions for the simultaneous handling of versatile information for purposes of financial and management accounting.

In the conditions of introduction of computer and communication accounting forms time and money costs to conduct valuation works through automation of the work of accounting professionals are reduced; information flows are distanced and optimized using modern communication channels; reliability of valuation of assets and liabilities of the enterprise in terms of permanent changes of external factors of organizational entities operation is ensured.

However, a method of valuation based on predicting the future value of the company needs to be further researched. Modern computer and communication equipment provides a high probability of economic planning of the company and calculates the influence of managerial decisions on strategic market position.

References:

1. Соколов В. Я. Оценка по справедливой стоимости / В. Я. Соколов // Бухгалтерский учет. – 2006. – № 1. – С. 50–54.
2. Кірейцев Г. Г. Регулювання розвитку бухгалтерського обліку в сільському господарстві України / Г. Г. Кірейцев // Наукова доповідь на Міжнар. наук.-практ. конф., присвяч. ювілею кафедри бухгалтерського обліку Подільського державного аграрно-технічного ун-ту, м. Кам'янець-Подільський. – 2009. – С. 28-30.
3. Чалий І. Справедлива вартість – це не просто, але нічого краще бухгалтерія не вигадала / І. Чалий // Вісник бухгалтера і аудитора. – 2002. – № 5. – С. 4–10.
4. Міжнародні стандарти оцінки [Електронний ресурс]. – Режим доступу :<http://www.ocenchik.ru/docs/467.html>.
5. Про затвердження Національного стандарту № 1 «Загальні засади оцінки майна і майнових прав» [Електронний ресурс] : постанова Кабінету Міністрів України від 10.09.2003 № 1440. – Режим доступу : <http://zakon4.rada.gov.ua/laws/show/1440-2003-п>. – Законодавство України.

1.5. ROLE OF ACCOUNTING IN SOCIAL ACTIVITY OF ENTERPRISE

Companies carrying out their business activities ought to focus not only on achieving maximum profit, but they should also assess the impact of their activities on the environment as well as on their own staff. In the Economic Code of Ukraine the aim of running a business is defined not only as profit making, but also as achieving economic and social results. Moreover, getting these results is seen as a primary goal. To ensure sustainable economic and social development of Ukraine, companies, on their part, should conduct economic activities protecting the environment, use natural resources rationally and take care of the physical and moral state of their staff. Only a socially responsible activity of an entity can be an effective tool for its sustainable development, attainment of loyal attitude from counterparties and customers and provision of investment attraction. In other words, the implementation of social policy should take place not only at the state level, but also within each economic entity. Only such conditions will ensure the constitutional rights of a citizen for life, health and safety.

Accounting has to provide internal and external users with information whether the company has elements of social policy or not. Taking into account the social function of accounting, which is outlined among the functions of accounting by the scientists, the accounting practices include such concepts as “social accounting”, “socially responsible accounting” and “socially oriented accounting”.

S.O. Levytska defines social accounting as a reflection of economic activity within the economic and organizational management, company workforce maintenance and development based on ecological and economic support of their implementation [2, p.257].

S.M. Petrenko argues that socially oriented accounting is the process of identification, measurement, recording, accumulation, generalisation, storage and transmission of accurate and unbiased information about the status and results of social financing programs (measures) by the users [5, p.24].

V.S. Len, Yu.V. Krot noted that social accounting is an integrated system of collection and identification, registration and generalization of socio-environmental data, the goal of which is to determine the effectiveness of social spending and to provide social information for reasoning and decision-making [3, p.308].

Despite the controversial nature of the “social accounting” concept, it is believed that social accounting is not a separate form of accounting, functions within the system of bookkeeping and provides relevant information on the social orientation of an enterprise. I.V. Zhyhley correctly noted that the accounting, if rightly organised, could display the social relations, which are at the intersection of social and economic relations [1, p.73].

In our view, the terms “social accounting” and “socially-oriented accounting” are related in two aspects. First, the entire accounting system has a significant social value. The economic activity of the company is done in the interest of certain groups of society and it is aimed at improving their quality of life. For example, the company can increase the volume of its sales and amount of income improving product quality. However, using quality products can improve the conditions of society’s life and even contribute to the preservation of health. The profits of the company provide payment of taxes, i.e. the state receives the appropriate revenue, which it can send to help vulnerable segments of population, environmental protection and so on. In addition, the enterprise’s staff gets benefits from its activity in the form of wages. In addition, the company may pay additional costs to its own staff, provide bonuses, pay for accommodation, vacations and enhance their qualifications. It means that business entities make social payments consciously or in accordance with the legal and regulatory acts and, therefore, the system of accounting, which records all operations of the enterprise may be called socially oriented.

The company, of course, can be aimed only at profit, dismissing the role of social outcomes and, in which case, the social orientation of accounting is low. However, such a company may incur potential losses in a socially oriented market economy and accounting information flow in society (information about the company is often available to external users now). The reasons for this include: staff turnover,

loss of customers due to the low product quality or because of socially oriented competing companies, fines due to pollution or inefficient use of natural resources, etc. So, under sustainable economic development conditions enterprises are increasingly paying attention to the social component of its activities; their accounting becomes socially oriented as not only business transactions affect the accounting, but also the records as a source of information can influence management decisions and business transactions to of business entities accordingly.

Secondly, under conditions of socially oriented activities business entities expend certain costs and can gain certain benefits from the process. In this case it becomes logical to use such terms as “social accounting” (a bookkeeping subsystem), “social incomes”, “social expenditures”, “social activities” (which can be done within the operational, financial or investment activities of enterprises).

It is clear from the reasoning above, that it is appropriate to use the term “socially oriented accounting” as the bookkeeping in the interests not only of owners, but also, to a certain extent, in the interests of staff, contractors, society and state. Here we agree with L.V. Chyzhevskya that the target of social accounting is to create an information system that allows comparison of any fact in economic life of the enterprise with the social needs of society [9]. A socially oriented accounting leads to the emergence of social spending and social income that allow evaluating the effects of social policies undertaken by the company, and their display in reporting allows providing relevant information to internal and external users.

Information of socially oriented accounting is formed in the system of financial and management accounting (Fig.1).

It should be noted that social activity is not a separate activity of the company. National regulations (standards) of accounting envision three types of business activities: operational, financial and investment ones. Social activities may be any business activities of an enterprise. If a company either acquires purification facilities, or builds a dormitory, these operations are social in nature and are both components of investment. The use of treatment facilities in the process of production causes operational expenditures, which by their nature are social.

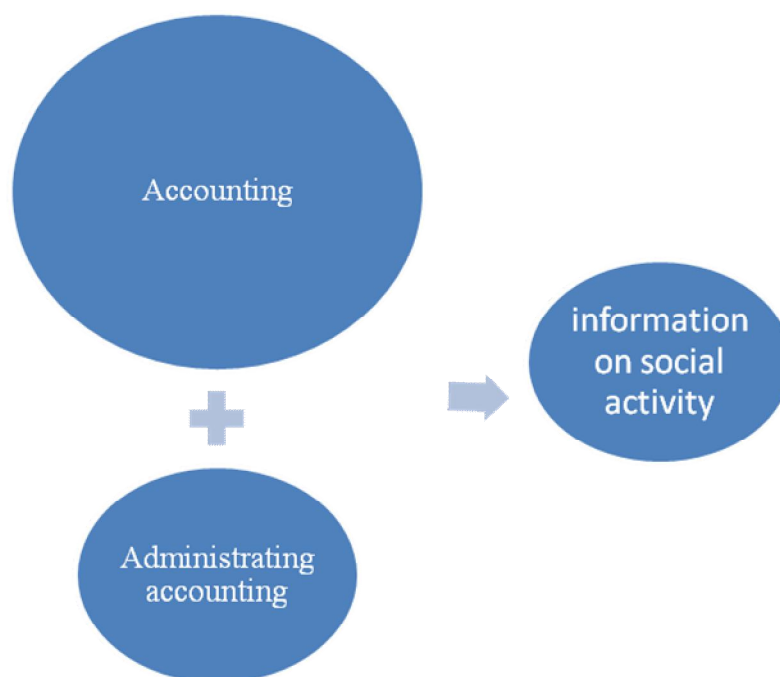


Fig. 1. Formation of information about the social activities of the company

Thus, the company has social expenditures while implementing social policy. G.G. Fomenko defines social expenditures of a company as the amount of any taxpayer's expenses in cash, tangible or intangible forms associated with personnel maintenance, ensuring its social protection and labour stimulation, as well as any costs aimed at socio-economic development of society causing decreases of economic benefits in the form of an outflow of assets or increase in liabilities resulting in decreases of equity [7, p.359]. O.I. Patsula understands social expenditures as disposal of different types of economic resources in accordance with the legal, social, economic and moral-psychological security, which meet social needs of individuals or legal entities [4, p.6]. Thus, the definition of social spending created by scientists depends on what they put into the content of the social activity of an enterprise. We believe that social expenditures should be viewed as a reduction in economic benefits in the form of an outflow of assets or increase in liabilities in connection with the implementation of the social policy of the company leading to a reduction of its own equity (excluding capital decrease due to its removal or distribution by owners) within operational, financial and investment activities of the company.

Nowadays the issue of components of social expenditures remains controversial. S.O. Levytska sees business social responsibility as the implementation of the social package, which the scientist has conventionally divided into basic (regulated by the legislation of Ukraine guarantees in accordance with the labour agreement) and motivational (pecuniary benefits provided by the employer to the employee over the guarantees provided by the legislation; creation of motivational system, which supports employees' intentions to unlock their professional potential). S.O. Levytska represented the latter type of social package as a set of blocks: health support; development of corporate culture; education, training; recreation and entertainment; labour motivation [2, p.258].

As social expenditures L.V. Chizhevska lists costs aimed at consumer rights protection, environment, urban planning, municipal taxes, labor conditions improvement and labour protection, the improvement of social living conditions of the worker and his family, a canteen, nursery, summer camps, laundry keeping [9].

S.M. Petrenko and V.O. Besarabov determined the following, financial in nature, areas of social responsibility: hiring and employment (wage costs; costs for the payment of bonuses and other incentives to employees); safety arrangement and precautions in the workplace (costs of safety measures and means of individual (collective) defence); training of employees (costs of periodicals, training materials, manuals, training programs, etc.; cost of creating new jobs; the cost of training); concern for the environment (cost of nature protection measures and technology; cost of saving technologies); consumer protection (cost of quality assessment (works, services), warranty costs); concern for society (expenditures for charity, family, sports activities and innovation projects) [6, p.186-187].

L.I. Shvets provides a classification on the basis of social expenditures targets distinguishing five types: the improvement of industrial relations in the company, prevention of poor quality production, implementation of public benefit initiatives, labour protection and safety techniques, environmental expenditures [10, p . 3].

Therefore, evidently a number of researchers refer to social expenditures only the costs related to personnel, the other expand them significantly. In our opinion,

among the social expenditures there should be a divide of costs into the following: social benefits package enforced by the law; staff development; labour protection and safety techniques; motivation; maintenance of social facilities; quality assurance; warranty service; environmental expenditures (i.e. the costs for environmental protection, ecological payments); charity; participation in regional development programs, sports and cultural life of society support. The elements of social activity of an enterprise should also include taxes since their payment allows the state to implement social policy. All these expenses exercise influence on the environment, customers, state and staff personnel (Fig.2).

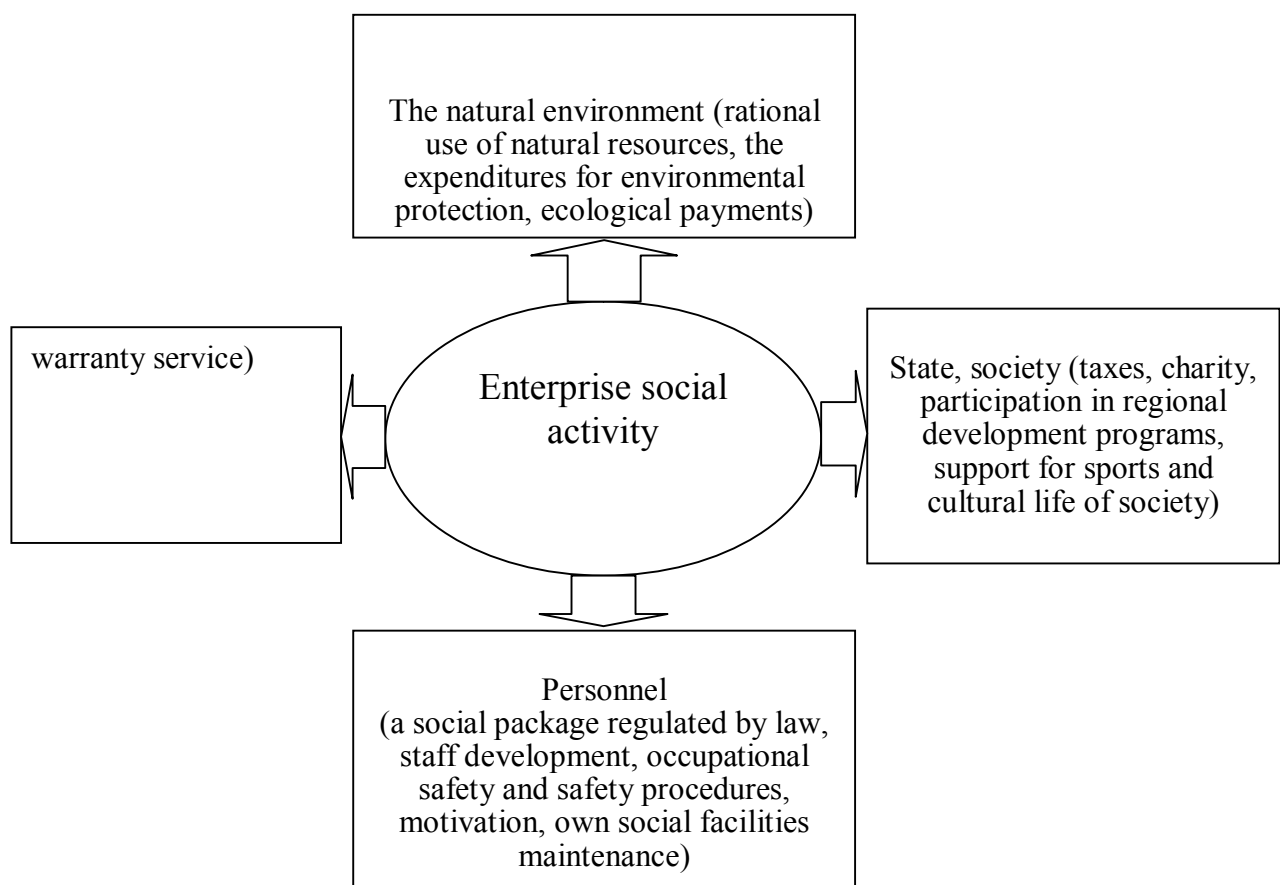


Fig. 2. The list of social spending areas of an enterprise

In addition to the division of social spending in areas of implementation these expenditures require a more detailed classification for the proper management. A number of classifications in social spending are identified in the scientific literature. Y. Y. Cheban distinguishes on the basis of obligation to carry out, the degree of

government regulation and dependence on the socially responsible enterprise activity [8]. V. S. Len and Y. V. Krot offer to classify social spending following the criteria of relevance to the legislation, the connection with commercial activities, the need for certification, the place of expenses, reflection in the accounting, activity kind, relevance to production, cost recovery, obtaining future economic benefits and relation to performance [3, p.307]. L. I. Shvets provides such classification criteria for social spending: 1) to provide management accounting by aim, object of calculation and degree of regulation; 2) to provide financial accounting by type of activity, the source of compensation and the period of occurrence; 3) to do controlling by the purpose [10, p.8].

Summarizing classification criteria of social spending proposed by the above-mentioned scientists and taking into account the need for information to make social decisions, we offer to classify such expenditures according to:

1) the areas of expenditure (requirements of staff, customers, the state, to preserve the environment);

2) the necessity of fulfillment (mandatory, voluntary);

3) the kind of activity, within which social expenditures incurred (operating, financial or investment);

4) the possibility of obtaining future economic benefits (receivable, not receivable);

5) the type of effect (social impact (image improvement, staff skills fostering, tax incentives, etc.), economic effect (sales increase, productivity improvement, reduction of resource use because of energy saving technologies, etc.)).

The vast majority of social spending entails obtaining certain economic and social benefits. However, such benefits are generally quite difficult to measure and display in the accounting system. Social expenditures, as a rule, tend to be estimated, therefore, many scientists propose to amend the financial report statements to reflect these values in social spending or they create forms of social or integrated bookkeeping reporting. Another situation is with revenues and profits from the exercise of social activity of an enterprise. The company can often get them in the

distant future; it is difficult or sometimes impossible to allocate them outside the operating income or other activities. Thus, the purchase of new equipment, which will ensure wastefree production, reduces resources consumption in production (as a result, it will reduce its cost) and will lead to increased profits from sales. That is, the economic effect of the acquisition of such equipment, amortization and repairs of which are essentially social expenditures, can be calculated. You can also calculate the impact of the exclusion of other factors and the increase of sales due to improved quality of products.

At the same time creating lounges, loyal attitude to staff, giving people prospects for career development certainly have a positive impact on productivity. However, to determine the effect of such social expenditures is difficult. Similarly, the costs spent on charity, supporting sports in society generally affect the company image; there is the probability that such actions will increase number of customers, expand markets, but the exact amount of income from such operations is almost impossible to calculate.

However, it is necessary to perform these calculations (although in many cases very approximate) as owners of the company, despite the social orientation of business, are eager to get some economic benefit from any of its operations. Calculation of expenditures, revenues and financial results achieved with the implementation of social policy of the company is possible in the system of management accounting.

Thus, this study has allowed doing the following conclusions:

1. Social accounting is not a separate form of accounting and functions within bookkeeping and provides relevant information on the social orientation of enterprises. Social activities are carried out within the operational, financial and investment actions of the company.

2. The social costs should be understood as the reduction in economic benefits in the form of an assets outflow or increase in liabilities caused with the implementation of the social policy of the company leading to a reduction of equity

(excluding capital reduction due to its removal or distribution by owners) within operational, financial or investment activities of the company.

2. The social spending has to include the expenditures on social package regulated by law; staff development; occupational safety and safety procedures; motivation; maintenance of own social facilities; quality assurance; warranty service; environmental expenditures; charity; participation in regional development programs, support for sports and cultural life of society. It is advisable to distinguish these expenses using the following criteria: the aim of expenses, the necessity of payment, type of activity, the possibility of future economic benefits and the type of effect.

References:

1. Жиглей І.В. Еволюція бухгалтерського обліку в контексті розвитку соціальних відносин / І.В. Жиглей // Проблеми теорії та методології бухгалтерського обліку, контролю і аналізу. – 2009. – Випуск 1 (13). – С. 64-74.

2. Левицька С.О. Соціальний облік : методичний підхід та організаційне забезпечення / С.О. Левицька // Вісник національного університету «Львівська політехніка». Менеджмент та підприємництво в Україні: етапи становлення і проблеми розвитку. – 2014. – № 797. – С. 255-262.

3. Лень В.С. Соціальні витрати: класифікація та облік / В.С. Лень, Ю.В. Крот // Вісник Чернігівського державного технологічного університету. – 2012. - № 4 (62). – С. 304-311.

4. Пацула О.І. Облік і контроль соціальних витрат підприємства: автореф. дис. ... канд. екон. наук: 08.00.09 / О.І. Пацула; Київський нац. торг.-екон. ун-т. – Київ, 2008. – 20 с.

5. Петренко С.М. Розвиток бухгалтерського облік у сфері соціальних відносин / С.М. Петренко // Вісник Львівської комерційної академії. Серія: Економічна. – 2014. – Вип. 44. – С. 21-25.

6. Петренко С.М. Формування об'єктів соціально орієнтованого обліку та розкриття інформації про них у фінансовій та соціальній звітності / С.М. Петренко, В.О. Бесарабов // Вісник Донецького національного

університету економіки і торгівлі ім. Михайла Туган-Барановського. – 2013. – № 4 (60). – С. 183-192.

7. Фоменко Г.Г. Формування соціальних витрат підприємств у процесі реалізації соціального захисту працівників / Г.Г. Фоменко // Економіка промисловості. – 2012. – № 3-4 (59-60). – С. 356-360.

8. Чебан Ю.Ю. Соціальні витрати аграрних підприємств: особливості формування, обліку, відображення у фінансовій звітності / Ю.Ю. Чебан [Електронний ресурс] // Ефективна економіка. – 2015. - № 3. – Режим доступу: <http://www.economy.nauka.com.ua/?op=1&z=4009>.

9. Чижевська Л.В. Поява та розвиток соціально-орієнтованого обліку / Л.В. Чижевська // Якість економічного розвитку: глобальні та локальні аспекти матеріали першої міжнародної науково-практичної конференції (24-25 травня 2007 року) [Електронний ресурс]. – Режим доступу: http://www.confcontact.com/2007may/+1_chizhev.php.

10. Швець Л.І. Облік та аналіз соціальних витрат підприємств машинобудівної галузі: автореф. дис. ... канд. екон. наук: 08.00.09 / Л.І. Швець; тернопільський націон. економ. ун-т. – Тернопіль, 2014. – 20 с.

1.6. ACCOUNTING TASKS OF SUPPLY DEPARTMENT IN ORGANIZATIONAL STRUCTURE OF ENTERPRISE

The process of supply is important precondition for the realization of the further enterprise performance. That is why there appears a need to organize this process in such a way that it would create maximal conditions for the successful operation of a manufacturing venture. At this point it becomes necessary to shift the main focus from maintaining fail safe technological process of product manufacturing to the complex strategy aimed to provide manufacturing with material values and minimal total costs. It is vital to consider the nature of this process. Procurement is a complex of operations aimed to supply the enterprise with items and instruments of labor that are necessary for the business activity. The process of supply includes acquisition of all necessary things for the manufacturing process: capital assets, nominal assets, physical resources, etc. This process must be continuous and straight-line, because overabundance or lack of resources has a negative impact on the eventual outcome of business activity [1].

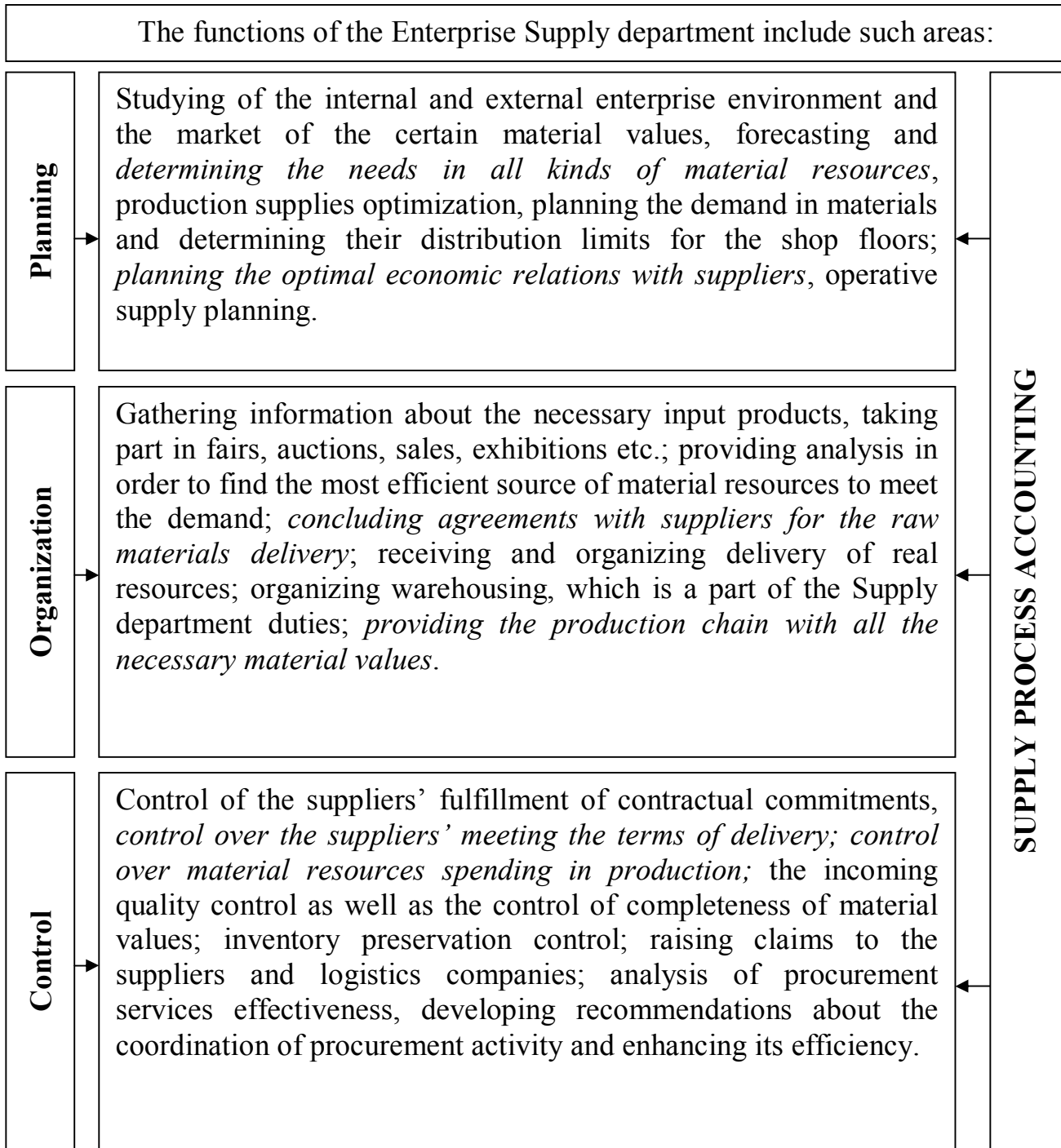
There was a centralised control maintained by the State Planning Committee and the State Logistics Committee over material and technical supply in a Command and Administration System. Thus, managers were not allowed to take independent decisions in this sphere. Contemporary business situation requires top managers to make appropriate decisions about organizing the supply process, which includes estimating the quantity of purchase, its costs, raw material quality, etc. Organizing supplies for providing effective enterprise operating is of the utmost importance in market conditions. Production expenditures depend on this, because hardware (tooling) costs and raw material costs account for a large part of all enterprise costs. That is why the precise organization of supply serves as a main reserve of enterprise costs reduction, which in its turn serves as a prerequisite for ensuring lasting competitive positions.

All these factors require creating appropriate supply offices at high-capacity enterprises. A number of supply office employees depend on the size of an enterprise,

its goods nomenclature and the variety and quantity of manufactured goods it purchases. Though it is not obligatory these days to keep the supply office in the organizational structure of enterprise due to the possible usage of temporary procurement centers which stop their existence shortly after providing all necessary purchases. For instance, at the stage of implementation of the new types of finished products, the enterprise practice of procurement centers usage requires making executive decisions on providing with the incoming material values. The number of staff and their qualification depends on the difficulty and importance of the executive decision about purchase. The structure of the staff in a procurement center should include the following:

- Direct users of incoming material values (as usual, it is a production control manager or a chief technologist);
- Representative developers of the new products who control the current information concerning raw materials choice and, if necessary, involve some extra experts to confirm their choice;
- Specialists that develop the specifications, control quality, perform researches on usage suitability in relation to the selected material values;
- Representatives of the marketing and distribution department who perform the study of consumers' demands and the possibilities of the suppliers and then conclude relevant agreements;
- People who make final decisions on buying of the selected type of material values (these are the members of the senior management).

However, the organizational structure, the nature and working methods of the delivery representatives at enterprises may vary depending on the volume, type and specialization of production, output ratio and industrial dispersion. It is clear that small businesses consume small amount of materials in a limited goods nomenclature, so it is necessary to rely the supply duties on individual employees - supply managers. Big and medium-sized businesses have to rely those duties on the procurement departments [2]. Thus, they are in charge of planning, organizing, control and accounting duties, shown in Figure. 1.



Notion: Operations styled italics require accounting documents to be prepared and filled in

Fig. 1. Contents of the procurement department duties

Because the functions performed by supply departments (or other functional structures that are in charge of providing the production process with material resources) are always exercised with obligatory use of accounting documentation, it is important to consider their components closer:

As we see from Fig. 2, the supply department performs a range of accounting activities that refer to:

- Participation in the price estimation of the fabricated goods on the one hand and, on the other hand, assess the appropriateness of the supplier's prices it cooperates with;
- Forming the registration log book of suppliers with their requisites and schemes of the direct business ties;
- Developing claims for materials (consolidated, annual, quarterly, monthly, current at the request of managers, etc.);
- Forming consolidated data about allocation and use of the capital available for material values acquisition;
- Drawing up reports and conclusions about the quality of the received and then made available for use material values, etc.

To perform all these functions as well as to exercise rights and duties the Supply department must have a certain organizational structure (centralized, decentralized or mixed) and must cooperate with other departments and divisions of the enterprise [3].

The use of the so called "centralized" structure provides standardization of material values coming into the enterprise and allows to enter quickly into a purchase order of corresponding quality, thus, facilitating the delivery because it can combine functions performed by several departments. On the whole, a centralized structure eases the control of the enterprise's supply process. In the decentralized supply model the Supply department management besides the standard process of providing an enterprise with material values is also in charge of providing profitability and giving the grounds for the costs.

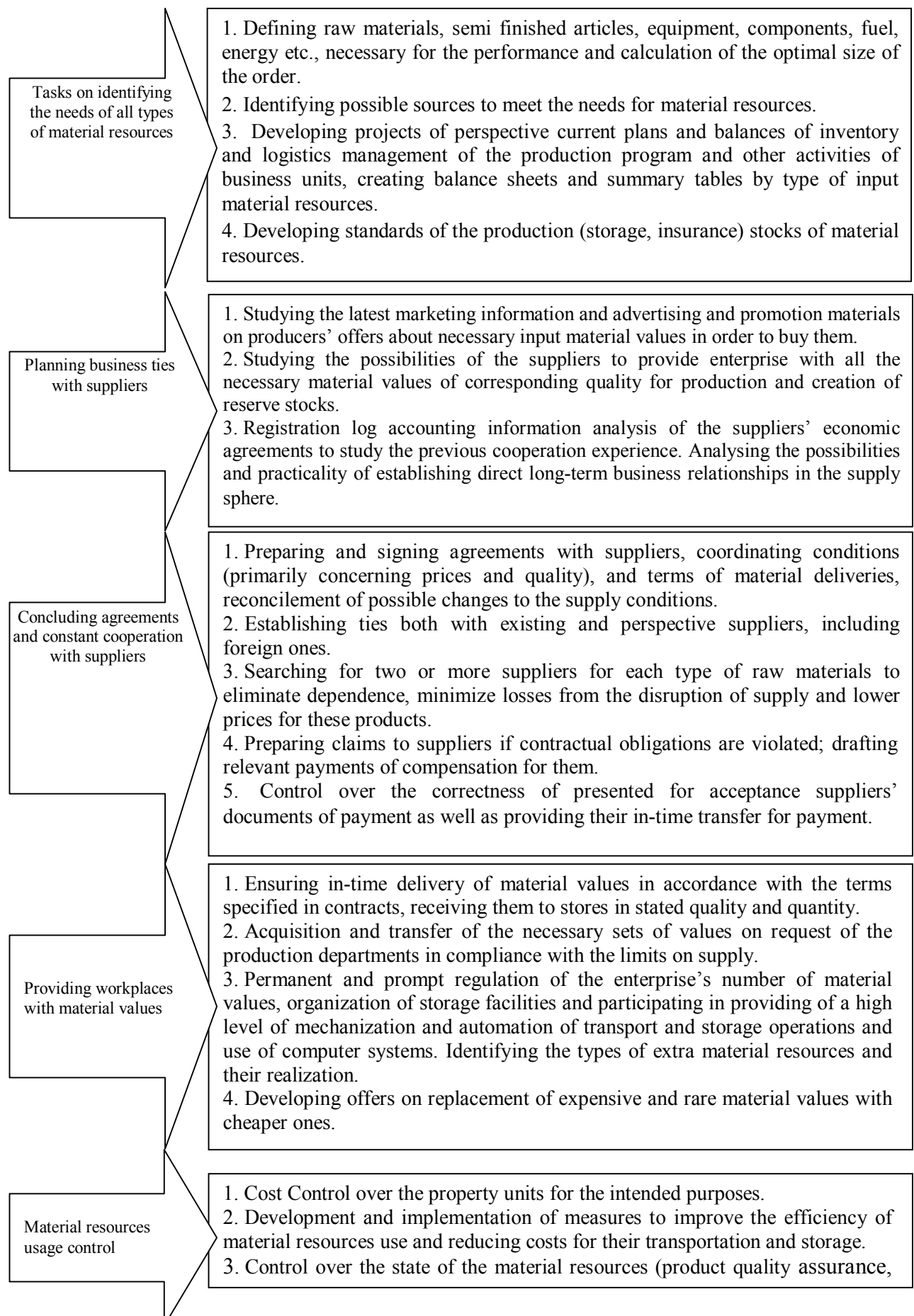


Fig. 2. Composition of tasks performed by the procurement dept. related to accounting

In its turn, in the future it can make possible to control the volume and quality of received input material values or organize unique purchases in rapidly changing market conditions.

However, the practice of modern enterprises shows that the mixed organizational type of the supply department is the most common nowadays. According to this approach, some departments specialize in supplying certain types of material values. However, the mixed type requires the presence of other functional units (such as dispatching or planning departments) together with the supply department. The mixed type of procurement department organizational structure is, in our opinion, the most effective organizational method that will facilitate the increase in participation and responsibility of all departments, and improve the production process procurement with the maintenance of the company in general.

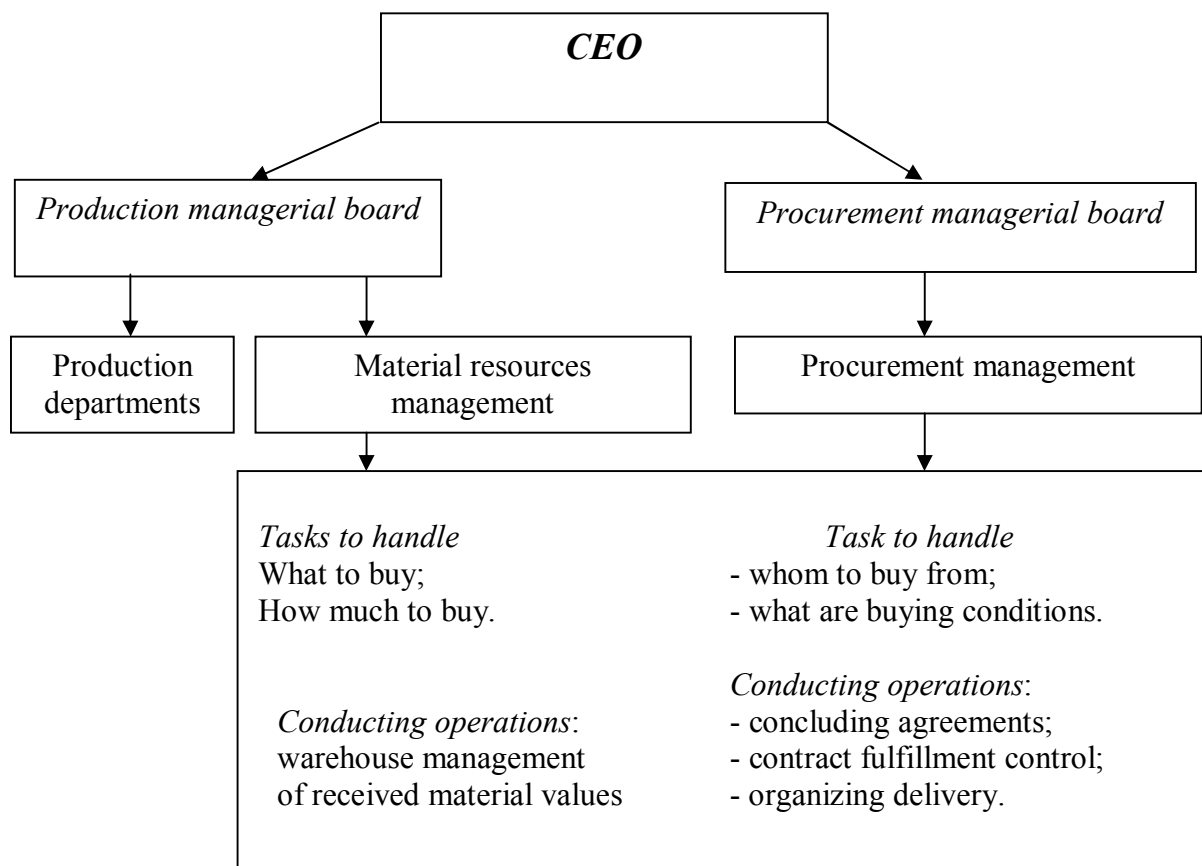


Fig. 3. Organizational structure of a company with supply tasks distribution between various functional departments

We believe that it is necessary to use the following approach to the procurement process organization of the company, which is based on division of responsibilities concerning supplies between different structures (see Fig. 3).

The order of the supply department interaction with other departments of the company (production, technology, quality control, transport, economic planning, legal departments [4], marketing, accounting department, etc.) that are directly or indirectly related to the flow of procurement process is shown in the Table 1.

Table 1

The procurement department interaction with other departments and divisions of industrial enterprise

№	Department of enterprise	Receiving information from the department	Giving the information to the department
1	2	3	4
1	Production department	<ul style="list-style-type: none"> - demand calculation and drafting requests for the necessary material values; - observance of standards for material values usage and drafting reports for material values usage; - preparing the reports on flaws due to the low quality incoming materials; - keeping records on receiving the departments' material resources; - providing information on the available balance of material values. 	<ul style="list-style-type: none"> - drafting plans for material resources supply; - monitoring limit cards for outgoing resources; - drafting and presenting reports on procurement plans fulfilment; - providing in-time information at managers' requests about the availability of material values.
2	Operations control department	<ul style="list-style-type: none"> - drafting production plans and schedules; - scheduling material values supply to production units; - studying the reasons of production process violation (if there are any). 	<ul style="list-style-type: none"> - providing production units with material values; - forming data about the quantity of the delivered material values according to the plans and supply agreements as well as to their availability in stock; - explaining the reasons for violation of the terms or scopes of material value transfers to the production units which led to production hold-up.
3	Chief Process Engineer's Department	<ul style="list-style-type: none"> - drafting cost standards of material resources in order to determine the scope of procurement and requests on the values necessary for production; - drafting production plans; - responding to the proposals about replacing expensive and rare resources by cheaper ones; - compiling tables concerning alternative resources inputs and drafting notifications on material substitution. 	<ul style="list-style-type: none"> - consulting on material values; - drafting requests on permissible technological deviation in material quality; - coordinating technical conditions for special types of materials; - availability of technical guidance and documentation for material values submitted to production.
4	Quality control department	<ul style="list-style-type: none"> - drafting final dossier that confirms the delivery quality and drawing up reports when production acceptance takes place; - issuing instructions to terminate the transfer of the deviated material values to production. 	<ul style="list-style-type: none"> -ensuring preservation of supporting documents presented by the suppliers for the values received by the enterprise (certificates, passports, instructions, specifications, etc.); - copies of the supply agreements and amendments to them.

1	2	3	4
5	Logistics department	<ul style="list-style-type: none"> - drafting material values transportation schedules; - scheduling forwarding material values from suppliers and filling in logistics documentation; - reporting on the implementation of material values centralized delivery. 	<ul style="list-style-type: none"> - drafting plans for the purchase of values stated in the supply contracts; - referring requests for providing transportation; - availability of guidelines and requirements for transporting certain types of values by various means of transport.
6	Planning department	<ul style="list-style-type: none"> - availability of production plans (completing tasks, providing services) for the period; - presenting analysis results of the supply department prior periods; - conducting calculation of reserve supplies. 	<ul style="list-style-type: none"> - presenting calculation of demand in material values; - tracking data on changes in material values prices offered by suppliers; - developing delivery plan projects and preparing reports on their accomplishment.
7	Financial department	<ul style="list-style-type: none"> - developing proposals concerning elimination of those reasons that led to the claims or sanctions against the enterprise; - confirming calculation of working capital standards necessary to provide the process of supply. 	<ul style="list-style-type: none"> - preparing reports on inventory transactions and their stock counts at the end of financial period; - providing parties to contract with the copies of claims and developing claims to suppliers who violate their treaty obligations;
8	Accounting department	<ul style="list-style-type: none"> - preparing approved cost estimations for the material values purchase; - making inventory reports on material values; - providing management with reporting information on values turnover and their remaining balance at the end of period. 	<ul style="list-style-type: none"> -ensuring retaining of commodity-support documentation; - drafting reports on values shipped to the contractors; - controlling actual availability and state of material values; - making reports on costs for material purchases;
9	Marketing department	<ul style="list-style-type: none"> - drafting general conclusions on suppliers of material values, necessary for the enterprise and their supply prices; - researching information on the state of the primary commodity market; - providing information about new types of material values together with their technical characteristics; - controlling advertising information on upcoming exhibitions and fairs. 	<ul style="list-style-type: none"> - maintaining information about the values procurement agreements; - conducting marketing analysis of the wholesale and retail prices of the finished products sold and studying the input values cost effect on formation of the sales prices; - collecting reports from department of quality control, chief engineer and production units on values quality.
10	Legal department	<ul style="list-style-type: none"> - summarizing legal expertise results required for procurement agreements vising; - working out draft treaties on supplies and reports of settlements of disputes under the terms of agreement that is being concluded; - settling claims and lawsuits against suppliers concerning their breach of contractual obligations; - clarification of existing legislation rules concerning the organization of work with suppliers and the order of its application; - analyzing commercial and civil law amendments. 	<ul style="list-style-type: none"> - drafting orders and instructions for vising contracts and providing their legal expertise; - gathering information about suppliers' violations of contractual obligations; - drafting documents and providing necessary calculations for rising claims against suppliers that concern their contractual obligations violation; - concluding search applications for necessary legal documents and explaining obscure regulations concerning organizing procurement

If it becomes necessary to keep all supply functions in one hands [5], then the organizational structure of the company will be seen as follows (Fig. 4).

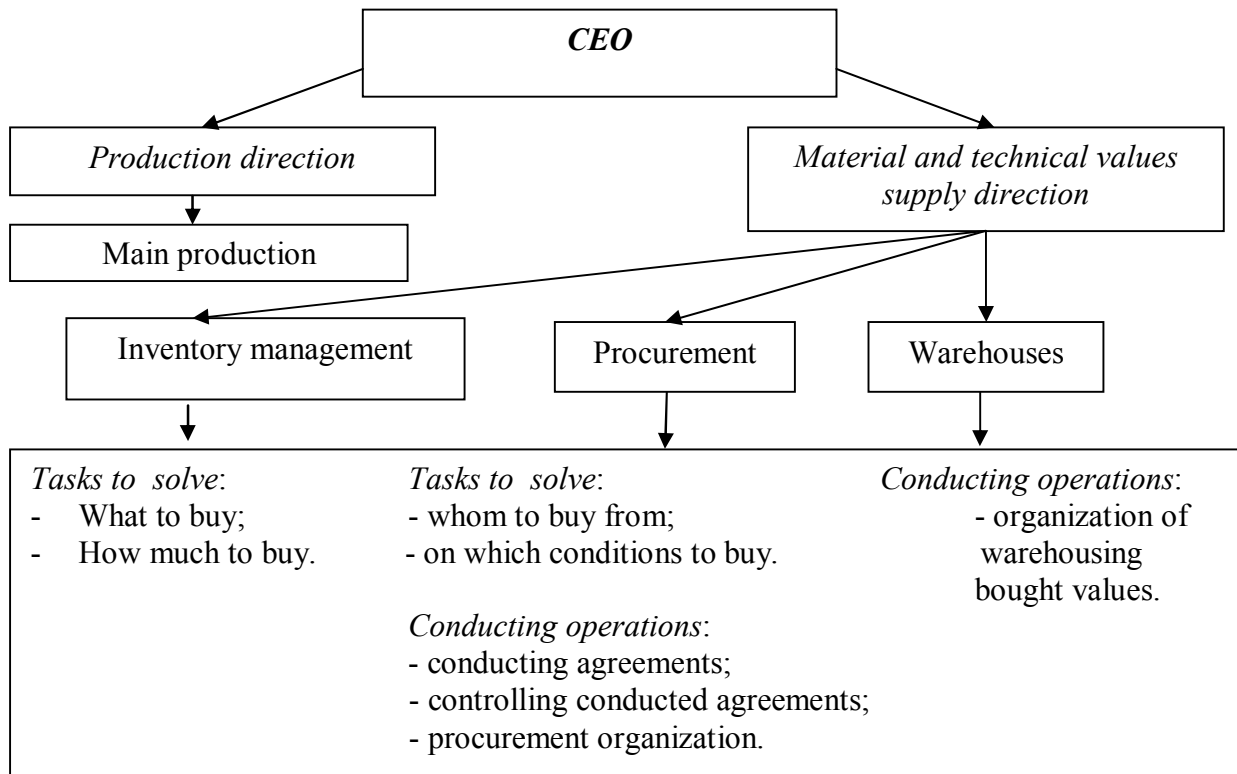


Fig. 4. Organizational structure of the company with focusing of procurement in one hands

Thus, the existence and functioning of the supply department at the enterprise is connected with the need of the in time and optimal providing production process with the necessary material values of corresponding completeness, quality and quantity. Since the organizational and management structure of any enterprise is a set of connections (both horizontal and vertical) that provide order, coordination and regulation of a whole enterprise for achieving its strategic objectives, it should contain constituents that will concentrate on achieving a certain segment of this goal. We believe that basing on the relationship and hierarchical subordination at the enterprise (supply department with other departments) it becomes much easier to achieve the strategic goal. The major tasks of the supply department are as follows: providing production divisions with necessary material values of appropriate quantity and quality, drafting and concluding contracts on supply, participation in the rational use of material values organization. These objectives should always be fulfilled, regardless of the organizational structure of the supply department (purchasing department or other structure responsible for procurement), whether it is centralized, decentralized or mixed.

References:

1. Зарудна Н. Я. Відділ постачання: організаційні структури, основні завдання та функції [Електронний ресурс] /Н. Я. Зарудна. – Режим доступу: <http://intkonf.org/zarudna-nya-viddil-postachannya-organizatsiyini-strukturi-osnovni-zavdannya-ta-funktsiyi>
2. Жулавський А. Ю. Організація матеріально-технічного забезпечення підприємства як об'єкт логістичних рішень [Електронний ресурс] / А. Ю. Жулавський. – Режим доступу: <http://essuir.sumdu.edu.ua/bitstream/123456789/21851/1/Zhulavskiy.pdf>
3. Мороз О. В. Системні фактори ефективності логістичної концепції постачання на підприємствах: [Монографія] / О. В. Мороз, О. В. Музика – Вінниця : УНІВЕРСУМ, 2007. – 165 с.
4. Горевий В. Участь юридичної служби суб'єктів господарювання в організації та веденні договірної роботи (практичний аспект) [Електронний ресурс] / В. Горевий, О. Кононенко. – Режим доступу: <http://dspace.nbu.gov.ua/bitstream/handle/123456789/15769/44-Gorevy.pdf?sequence=1>.
5. Дослідження переваг логістичного підходу при організації систем матеріально-технічного забезпечення підприємств [Електронний ресурс] / О. А. Карпенко, С. О. Ковальчук, Є. О. Єфімова. – Режим доступу: file:///C:/Users/%D0%9D%D0%B0%D1%82%D0%B0%D0%BB%D1%8C%D0%BA%D0%B0/Downloads/Upsal_2012_9_20.pdf.

CHAPTER 2. PROBLEMATIC ISSUES OF REFORMATION OF ACCOUNTING OF ASSETS AND COSTS OF THE ENTERPRISE

2.1. CONCEPTUAL APPROACHES TO ACCOUNTING FOR INFERIOR ASSETS

A new term «Inferior noncurrent tangible assets» is adopted in practice of Ukrainian enterprises by the Accounting Standard 7 «Fixed assets» and Chart of accounts dated 01.01.2000. It means that inferior assets now include not only a particular group of current assets, but also noncurrent. In accounting, a number of issues appear when it comes to inferior assets' definition, structure, classification, documentary, methods of calculation wear and tear, methods of write-off, accounting harmonization with tax calculations.

Particular issues of accounting of inferior assets appears in the papers of the following researchers: Biriuk O.G. [1], Dukhnovska L. M., Skomorokhova S. Yu. and Gorbachova O. A. [2], Grin'ko A. P. [3], Kesarchuk G.S. and Mashika M. V. [4], Kutsyk P. O., Shumylo R. R. [5, 6], Malyarchuk I. I. and Kholod Z. M. [7], Petriv O. I. [8] Sazhynec' S.Yo. [9], Sokol's'ka R. B., Zelikman V. D. and Zakharova Je.Yu. [10]; Semegen L. G. [11], Sopko V. V. [12]. However, a number of practical and theoretical problems related to accounting of inferior assets still remain to be investigated.

Each accounting category needs to have pertinent essential content. One can not find the definition of inferior assets in legislative documents and official regulations. In economic literature most of the researchers consider this term as altogether inferior noncurrent tangible assets and inferior wearing items. Although Sopko V. V. states that frequently subsidiary assets and short-term wearing hardware are also regarded as inferior assets and wear goods [8]. Hence, the researcher recommends to include account "Precious Wear Goods". Kutsyk P. O., Shumylo R. R. in parallel prove that it is better to exclude the word "inferior" from the title of the account and name it as "wearing items". They propose to open two sub-accounts 221 "Inferior and wearing items" and 222 "Precious wearing items" [5, p. 99]. We

are agreeing with latter point of view considering that the second class “Stocks” includes only one available account 29. In the same time, we believe that instead of “Precious wearing items” it is better to use the title “Expensive wearing items”. We propose to foresee “Cheap wearing items” together with inferior and precious assets. Inferior assets should consist of objects assessed up to 6 000 UAH, cheap assets include objects from 6 000 to 10 000 UAH, and expensive ones cost more than 10 000 UAH.

The similar gradation of inferior non-current assets due to value criterion is suggested by L. Semegen [9, 10]. In our opinion, the presence of such separation of wearing items will provide more analytical information about the movement of this kind of assets and strengthen control over their use.

Kesarchuk G. S. and Mashika M. V. offer two sub-accounts to account 22 «Inferior and Wearing Items” in the Chart of the accounts of assets, capital, liabilities and business operations of enterprises and organizations in order to ensure proper control on the storing and movement of inferior and wearing items:

- 221 “Inferior and wearing items at warehouse and in use”. Here inferior and wearing items would be accounted if they are kept at warehouse or they are in use;
- 222 “Inferior and wearing items of special purpose” for accounting of the items which are related to the particular branch of economy where the enterprise operates [4, p. 225].

Proposals of Sazhynech’ S. Yo. about analytical and financial accounting of inferior and wearing items are interesting [7, p. 221]. In opinion of the researcher, accounting for inferior and wearing tangible and short-term intangible assets has a number of specific issues. Hence, it makes sense to change the title of the account 22 “Inferior and wearing items” to “Current inferior and wearing tangible and intangible assets” and to use following sub-accounts for accounting of operations with tangible assets:

- 221 “Current inferior and wearing tangible assets at warehouse”
- 222 “Current inferior assets in use”

223 “Current wearing tangible assets in use”

224 “Wear and tear of current wearing tangible assets”

225 “Transport and procuring costs to acquire current inferior and wearing tangible assets” [8, p. 221].

Agreeing with necessity to reform accounting of inferior and wearing items and talking about originality of Sazhynec' S. Yo. Proposal, we would still like to mention that the titles of the sub-accounts which suggestion him don't include the term “intangible”. It is an essential observation as the term represents a part of the account's title. Moreover, wear and tear is calculated only for non-current assets according to the criteria if International Standards. Therefore, the titles of the proposed sub-accounts to account 22 require corrections.

In our opinion, it makes more sense to reflect special-purpose clothes and instruments as a part of other non-current tangible assets and calculate amortization with use of direct method. Currently they are included to inferior and wearing items and accounted after their transfer in use.

Write-off of the full value of the special-purpose clothes as the part of inferior and wearing items when they are transferred in use brings to the unreasonable overstating production costs in that reporting period and is contrary to the matching concept of accounting. Matching principle states that expenses should be recorded during the period in which they are incurred, regardless of when the transfer of cash occurs. Conversely, cash basis accounting calls for the recognition of an expense when the cash is paid, regardless of when the expense was actually incurred. Term of special clothing usage as well as instruments for the most part is higher than one year ago so that these assets should be treated as noncurrent.

We need to take into account second condition to include inferior and wearing items “operational cycle if it is more than a year”. It is better to remove it from the Instruction 291 concerning the use of Chart of accounts as this condition is foreseen in definition of fixed assets (as a part of noncurrent assets) in the Accounting Standard 7 “Fixed Assets”. It seems inappropriate when the same condition lay in the definition of completely opposite in meaning and purpose assets, which are reversible

and irreversible. Hrin'ko A. P. generally proposes to abandon the use of a separate account for the calculation of the inferior and wearing items and the demarcation of the assets in current and noncurrent considering only one actual period of use [3, p. 28]. We can agree with the latter proposal but not with the first. It planned lifetime, above all, makes the difference. For example, low-value non-current tangible assets differ from low-value wearing items that are current assets.

Kutsyk P. and Shumylo R. suggest using criterion of value alongside the criterion «time of use» for the demarcation of the inferior and wearing items and low-value non-current tangible assets [5, p. 100]. They state practice shows it is establishing the term of usage of certain objects is quite problematic however, given the great range of facilities, use of the criterion of cost accounting allows to simplify accounting work [5, c. 106]. In our opinion, the value criterion must take into account the classification of objects in fixed assets and low-value non-current tangible assets. Cost boundary between these assets should be spelled out in the order on the Accounting Policy of each company.

In drawing up the Order on the Accounting Policy of the company, according to O. G. Biryuk, it is appropriate to point the directions of methodological concepts of formation of information on inferior and wearing items. They are as follows: nomenclature of inferior and wearing items; organization of operational quantified accounting of inferior and wearing items according to the place of exploitation and responsible persons within period of its usage; accounting of «brand» clothes (list, usage period, payment); evaluation of surplus in the inventory; the accounting and methods of evaluation of the inferior and wearing items, which were in use [1, p. 202]. In our point of view, giving the range of inferior and wearing items in the Order of Accounting Policies is not advisable because at particular enterprises, this range can be more than thousand units. There is no need such an important document as the above-mentioned order to cover up with minor details. The same comments are given to the list of «brand» clothing. As noted earlier term of practical exploitation of brand clothes don't exceed one year mainly so that it is reasonable to account it as other non-current tangible assets.

In the Order on Accounting Policy in the organization of inferior and wearing items accounting we advise to prescribe methods of assessment; sub-accounts, if the company foresees any; list of homogeneous groups as it is planned to keep records; managerial accounting in quantitative terms; documentation of transactions; list for internal reporting of the movement of the items, if it is planned. Concerning consideration of the value criterion for distinguishing inferior and wearing items between reversible and irreversible, we believe it is unnecessary. Often in practice enterprises use costly raw materials, materials, spare parts, wearing items in the manufacturing process, but it does not mean that they should be classified as non-current assets. In our opinion, inferior items should include all kinds of current and noncurrent with little value. This value can be limited by the threshold of 6 000 UAH. This number is fixed in Tax Code as minimum threshold for fixed assets. Using this criterion will promote the convergence of cost accounting of assets with their tax calculations. With regard to the primary accounting of inferior and wearing items, the issue described in detail in the papers of the following researchers: Kesarchuk G.S. and Mashika M. V. [4, p. 225-226], Kutsyk P. O., Shumylo R. R. [6, p. 19-20], Sazhynec' S. Yo. [8, p. 224-228], Sokol's'ka R. B., Zelikman V. D. and Zakharova Je.Yu. [10, p. 297]. In particular, Kesarchuk G.S. and Mashika M. V.

In particular, Kesarchuk G.S. and Mashika M. V. analyzing standard forms of primary accounting documents, mention that in a continuous process of improvement of accounting records, based on their unification and standardization, reducing the number of required documents, it would be better to form a single act for the inferior and wearing items write-off and retirement [4, p. 225]. Purpose of this document, according to researchers, would be in the standardization of the write-off of damaged, lost, obsolete and worn IWI and providing new items based on this document.

We can agree with this proposal since its implementation would make it possible to abandon the three forms of the following primary documents: «Act for write-off inferior and wearing items» (f. № МІІІ-4), «Act for retirement the instruments (devices) and their exchange to suitable» (f. № МІІІ-5), «Act for write-off inferior and wearing items» (f. № МІІІ-8).

Kutsyk P. O., Shumylo R. R. offer to take more radical steps concerning reforming of primary accounting of inferior and wearing items. In particular, in their opinion, because of the refusal to work due to the principle of permanent stocks or exchange fund, actuality to fill out following forms of primary documents: «Notes on renovation (retirement) of constant instruments' stock» (f. № MIII-1), «Act for write-off the instruments (devices) and their exchange to suitable» (f. № MIII-5) [6, p. 19]. It is doubtful according to the above-mentioned authors to use template ML-3 “Order to repair or sharpening the instruments (devices)” because it is used for the description of repairing works, performed centrally. However, in practice it almost never happens [6, p. 19].

Supporting the idea of Ukrainian renown researchers on the need to reduce the number of primary documents of inferior and wearing items accounting, we believe that from now existing eight standard forms following may be kept: «Card on inferior and wearing items» (f. № MIII-2), «Act for retirement inferior and wearing items» (f. № MIII-4), «Notes on accounting of procurement (repayment) of special clothing, special shoes or prevention devices» (f. № MIII-7). Adding to listed primary documents the relevant details, you can opt to use five other standard forms.

Schematically, inferior assets are depicted on the figure 1 (Fig. 1). As can be seen from Fig. 1 inferior assets can be classified as low value non-current and current assets. In our opinion, intangible assets similarly to material ones should be divided into irreversible and reversible depending on the planned period of use. For example, if the right to conduct the activities is provided for more than one year, then it must be attributed to non-current tangible assets, if it is provided for less than one year, then it should be classified as current tangible assets. In case planned period of the software use is less than a year, hence, in our view, it cannot be attributed to non-current intangible assets. Because due to the National Standard 1 «General Requirements for Financial Reporting» non-current assets are assets that are not reversible and reversible: cash and cash equivalents that are not limited in use, and other assets held for sale or consumption during the operating cycle or within twelve months from the balance sheet date [12].

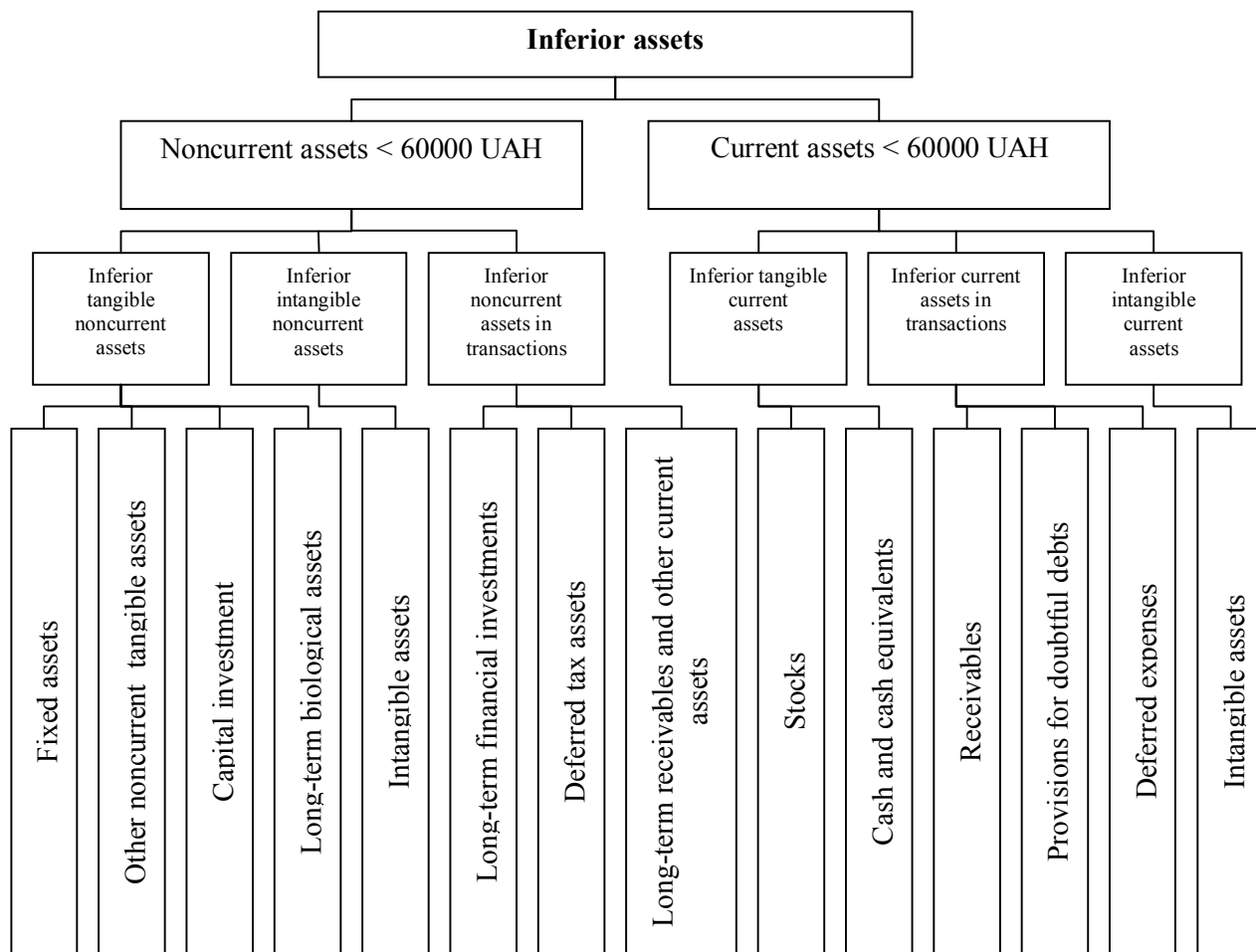


Fig. 1. Structure of inferior assets

It follows that intangible assets should be divided into irreversible and reversible, just as financial investments or receivables as exploitation period could be under more than one year and up to one year. This proposal may seem too «revolutionary» because the academics and economists are used to the fact that intangibles are irreversible. According to National Standard 8 «Intangible assets» intangible assets - non-monetary asset that has no physical form and can be [13]. Almost similar to the definition of intangible assets is provided in IAS 38 «Intangible Assets» (non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights [14])). In the above definitions it is not stated that intangible assets are only non-current. It follows that proposition to divide intangible assets on noncurrent and current meet requirements of national and international standards and merits to be implemented.

Each proposal which needs improvement of terminology needs its continuation in organizing and methodic of analytical and financial accounting of the objects to be reflected in financial statement. Talking about current intangible assets, it is better to conduct its accounting with help of the same documents as for noncurrent. Concerning financial accounting of such assets it is better to conduct it on the account 29 with proposed title «Current intangible assets». Value of such assets can be different. Hence, we propose to open sub-accounts to account 29 «Current intangible assets» in order to get detailed analytical info about their structure and adequate control on their movement. They are as follows:

- 291 “Expensive current intangible assets”;
- 292 “Cheap current intangible assets”;
- 293 “Inferior current intangible assets”.

To sum up above-mentioned, following conclusions derive:

1. Inferior assets represent a set of current and non-current assets with value up to 6000 UAH. Cost limit for the separation of assets to non-current and current ignored.

2. Intangible assets the service term of which don't exceed more than a year, should be attributed to the current assets and keep their records on account 29 «Intangible current assets». Low-value non-current assets needs to divide into three groups: Low value tangible fixed assets; low value intangible fixed assets; low-value non-current assets in transactions. Due to the same groups inferior current assets can be separated. However, instead of the word «non-current» you should use the word «current» in the title of the group.

3. Accounting of instruments, special-purpose clothing, «brand» clothing when term of use is more than one year is not appropriate to record on the account 22 «Inferior and wearing items», and the respective sub-accounts to account 10 «Fixed Assets» (106 «Instruments, devices, equipment”), 11 «Other non-current tangible assets» (112 Inferior non-current tangible assets», 117 «Other non-current tangible assets»).

4. Primary accounting of inferior and wearing items should be carried out with the following original documents: “Card on inferior and wearing items”, “Act for retirement inferior and wearing items”, “Notes on accounting of procurement (repayment) of special clothing, special shoes or prevention devices”. In these primary documents additional information needs to be provided, which would make it possible to renounce the use of now forced standard forms: “Notes on renovation (retirement) of constant instruments’ stock” (f. № MIII-1), “Act for write-off the instruments (devices) and their exchange to suitable” (f. № MIII-5) , “Personal accounting card on special clothing, special footwear and preventive devices” (f. № MIII-6), “Act for write-off of inferior and wearing items” (f. № MIII-8).

5. The main criterion for the division of assets to non-current and current planning must be considered their term of usage. In this regard, account 22 «Inferior and wearing items» should be renamed to the «Wearing items» and open following sub-account: 121 «Expensive wearing items», 122 «Cheap wearing items», 123 «Inferior wearing items».

6. Accounting Policy of the enterprise in the part concerning accounting inferior and wearing items we advise to describe methods of evaluation, sub-accounts to account 22, if the company foresees to open any list of homogeneous groups as it is planned to keep records; managerial accounting in quantitative terms; documentation of transactions; list for internal reporting of the movement of the items, if it is planned.

7. Accounting for intangible assets with estimated term of usage up to one year is advisable to record on the account 29 «Current intangible assets» with sub-accounts. They are as follows:

- 291 “Expensive current intangible assets”;
- 292 “Cheap current intangible assets”;
- 293 “Inferior current intangible assets”.

All of the above-indicated suggestions should facilitate improvement of inferior assets accounting. It will ameliorate the knowledge base for the end-users.

References:

1. Бірюк О. Г. Формування облікової політики щодо малоцінних та швидкозношуваних предметів / О. Г. Бірюк // Фінанси, облік і аудит. – К. : КНЕУ, 2008. – Вип. № 12. – С. 197-203.
2. Духновська Л. М. Методи нарахування амортизації малоцінних необоротних матеріальних активів / Л. М. Духновська, С. Ю. Скоморохова, О. А. Горбачова // Вісник одеського національного університету. – Одеса, 2014. – Т. 19, Вип. 1/2. – С. 156-156.
3. Грінько А. П. Облік основних засобів: теорія, проблеми, перспективи : Моногр. / А. П. Грінько; Харк. держ. акад. технології та орг. харчування. – Х., 2002. – 276 с.
4. Кесарчук Г. С. Облік МШП: актуальні проблеми та шляхи вдосконалення / Г. С. Кесарчук, М. В. Машика // Науковий вісник Ужгородського університету. Сер. : Економіка. – 2014. – Вип. 1. – С. 223-227.
5. Куцик П. О. Визначення економічної суті швидкозношуваних та малоцінних необоротних предметів як передумова раціональної організації їх обліку і контролю / П. О. Куцик, Р. Р. Шумило // Економічний аналіз. – 2010. – № 6. – с. 99 – 102.
6. Куцик П. О. Оцінка сучасного стану обліку і контролю малоцінних і швидкозношуваних активів / П. О. Куцик, Р. Р. Шумило // Науковий вісник Ужгородського університету. Економіка. – 2010. – Вип. 29, Ч. 2 : Удосконалення обліку, аналізу, аудиту і звітності в сучасних умовах глобалізаційних процесів у світовій економіці. – С. 18-20.
7. Малярчук І. І. Основні аспекти фінансового та податкового обліку малоцінних необоротних матеріальних активів / І. І. Малярчук, З. М. Холод // Наукові записки [Української академії друкарства]. Серія : Економічні науки. – 2015. – № 1. – С. 12-19.
8. Петрів О. І. Бухгалтерський та податковий аспекти обліку малоцінних необоротних матеріальних активів: основні відмінності та

неузгодженості, проблеми обліку / О. І. Петрів // Науково-інформаційний вісник «Економіка». – 2013. – № 7. – С. 381-387.

9. Сажинець С. Й. Актуальні питання розвитку системи обліку оборотних малоцінних та швидкозношуваних матеріальних активів на підприємстві / С. Й. Сажинець // Вісн. Нац. ун-ту „Львів. політехніка». – 2012. – № 721. – С. 219-225.

10. Сокольська Р. Б. Удосконалення обліку малоцінних і швидкозношуваних предметів в умовах промислового підприємства / Р. Б. Сокольська, В. Д. Зеліман, Є. Ю. Захарова // Наука і прогрес транспорту. Вісник Дніпропетровського національного університету залізничного транспорту. – 2011. – № 38. – С. 296-298.

11. Задорожний З.-М. В. Актуальні питання облікової політики підприємств щодо необоротних активів : монографія / З.-М. В. Задорожний, Л. Г. Семеген, Л. Т. Богуцька. – Тернопіль : ТНЕУ, 2012. – 237 с.

12. Інструкція про застосування Плану рахунків бухгалтерського обліку активів, капіталу, зобов'язань і господарських операцій підприємств і організацій: затв. Мінфіном України від 30.11.99 р. № 291 [Електронний ресурс]. – Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0893-99>.

13. Національне положення (стандарт) бухгалтерського обліку 1 «Загальні вимоги до фінансової звітності», затверджене наказом Міністерства фінансів України від 7 лютого 2013 року № 73, зі змінами і доповненнями [Електронний ресурс]. – Режим доступу: <http://zakon5.rada.gov.ua/laws/show/z0336-13>

14. Положення (стандарт) бухгалтерського обліку 8 «Нематеріальні активи», затверджене наказом Міністерства фінансів України від 7 липня 1999 року № 163, зі змінами і доповненнями [Електронний ресурс]. – Режим доступу: <http://zakon3.rada.gov.ua/laws/show/z0750-99>

15. Міжнародний стандарт фінансової звітності 38 «Нематеріальні активи» (версія перекладу українською мовою – на 01. 01. 2016 рік) [Електронний ресурс]. – Режим доступу: <http://www.minfin.gov.ua>

2.2. FIXED ASSETS: ACCOUNTING AND TAX DIMENSIONS

Under the conditions of market economy the challenges that the society are facing cover the maintenance, technical re-equipment and further development of an enterprise's physical facilities, an integral part of which are instruments of labour. The latter functions as a cost measurement for fixed assets that belong to various entities. In the course of manufacturing, fixed assets undergo physical depreciation and obsolescence, offset by amortization deductions. Amortization deductions apply to purchases of high-tech equipment which represents advancement in science and technology. Effective implementation of science and technology is heavily dependent on the direction and methods of amortization policies, which have a direct impact on economic conditions for reproduction of labour instruments. On the contrary, if amortization policies do not correspond with the current situation in economy, it leads to uneven fixed asset turnover. An accurate accounting of fixed asset depreciation and differences in taxes are of essential importance for fixed asset reproduction.

It is therefore necessary to thoroughly consider the compliance with provisions of normative standards of accounting for fixed assets on issues relating to accounting for depreciation and tax treatment of depreciation, expenditures on improvements and repairs of fixed assets, differences in taxes.

According to paragraph 4 of NP(S)A 7 (the National Provisions (Standards) of Accounting in Ukraine 7), fixed assets are tangible assets that the company maintains in order to use them in the production process / activity or supply of goods, services providing, leasing to other people or to carry out administrative and socio-cultural functions, whose expected useful life (operation term) is more than one year (or operating cycle, if it is longer than a year) [9].

The Tax Code of Ukraine (Article 14.1.138) gives the following definition: fixed assets are tangible assets designed by the taxable person for the use in the business of the taxable person, whose value exceeds UAH 6,000 and is gradually reduced in connection with the wear and tear, or the obsolescence, and whose

expected useful life (operation term) since the commissioning date exceeds one year (or one operating cycle if it is longer than one year) [8].

As it can be seen, there are no significant differences between these definitions. However, NP(S)A 7 “Fixed assets” proposes a broader definition of the concept of fixed assets, namely: the possibility of leasing and carrying out socio-cultural functions, no value limits.

According to paragraph 14 of NP(S)A 7 “The initial cost of fixed assets is increased by the amount of expenses related to the improvement of the facility (modernization, modification, extension, retrofit, capital improvement, etc), resulting in economic benefits which exceed the expected ones”.

The accounting treatment of expenditures related to the improvement of fixed asset facilities is not regulated by Instruction No. 291.

Since 2015, there have been no special regulations for tax accounting of expenditures related to repairs and improvements of fixed assets. For this very reason, it is essential to adhere to the accounting standards, specifically paragraphs 14, 15 of NP(S)A 7.

As of 2015, tax accounting records have been maintained differently by taxpayers whose annual income is below UAH 20 and by those whose annual income exceeds UAH 20 million.

The regulatory framework for this accounting procedure is subparagraph 134.1.1 of the Tax Code of Ukraine (hereinafter referred to as TCU), according to which taxpayers, whose annual income from all sources (except for indirect taxes) calculated in accordance with the accounting rules over the annual reporting (tax) period does not exceed UAH 20 million, can determine the object of taxation without adjusting accounting results to taxation of tax differences (other than negative value of taxation object of previous reporting (tax) years), as specified in Chapter III of TCU.

These taxpayers have the right to decide not to adjust the financial results to all of the tax differences (except for the above-mentioned losses) no more than once in the number of continuous years, as long as the criterion of income amount is met for

every of these tax differences. Such a decision is notified in tax and profit reporting that is submitted in the first year of continuous years.

Since the new rules were introduced on 1st January 2015, 2015 is regarded the first year. Consequently, while filing a tax return for 2015, taxpayers have to decide whether to maintain accounting records for differences and adjust the financial results to taxation or not. At first glance, it would seem better to eliminate tax differences when it is possible. This is undoubtedly the right decision in terms of man-hour saving. However, there are very helpful tax differences. For example, if a taxpayer keeps account of tax differences, then in the case of distribution of dividends financial results can be reduced by the amount of the dividends (subparagraph 140.4.1 of TCU). Otherwise, these amounts are to be taxed.

Returning to fixed assets accounting, two remarks are worth noting.

1) If an enterprise whose annual financial income does not exceed UAH 20 million decides not to adjust the financial results to tax differences (except for adjusting to the last year's tax losses), the separate tax accounting of fixed assets will be impossible. Going forward, the enterprise will only focus on financial results recorded in accounting. Plus, it will be affected by accounting depreciation of fixed assets, calculated in accordance with NP(S)A. This is applicable to any kind of activities with fixed assets, including repairs and improvements. Although 'the tax method' was used formerly for accounting treatment of repairs and improvements, now this method is not to be recommended. Considering that since 1st January 2015 TCU has not developed accounting standards for such expenditures, paragraph 14 of NP(S)A 7 "Fixed Assets" should be amended. However, the order of accounting policies should be corrected prior to requirements changes that will come from "the authority who approves provisions (standards) of accounting" (paragraph 9 of NP(S)A 6 "Correction of errors and changes in the financial statements"). Since 2015, accounting of expenditures on repairs and improvements has been unable to meet the requirements of tax legislation, and therefore this amendment to the order of accounting policies will allow an enterprise to keep accurate records of repairs and improvements and to produce better financial statements.

2) A taxpayer makes a tax adjustment to the financial results recorded in accounting (there are two main options: the income exceeds UAH 20 million or does not exceed this level, but an enterprise makes a decision to keep account of differences and adjust the financial results to them). For this purpose, it will be necessary to use Article 138 of TCU “Differences that arise in calculating the depreciation of non-circulating assets”. And besides, this group of differences is divided into three categories related to:

- Depreciation of fixed assets and intangible assets;
- Increase / decrease in value and reduction / recovery of utility;
- Residual value of a fixed asset or intangible asset in case of sale or liquidation (paragraphs 138.1, 138.2 of TCU).

These categories and other related questions are considered in the paper.

There are no problems for taxpayers who do not keep account of tax differences and do not adjust the financial results to them. They continue to depreciate fixed assets in financial accounting without regard to TCU. Taxpayers who are obliged to keep account of tax differences have to identify fixed assets in the books on 1st January 2015.

According to TCU, for calculating depreciation value of fixed assets and intangible assets under paragraph 138.3 of Article 138 of TCU, balance-sheet value of fixed assets and intangible assets as of 1st January 2015 has to equal balance-sheet value of these assets as at 31st December 2014 in accordance with Articles 144-146 and 148 of Chapter III of TCU in the version in force before 1st January 2015 (paragraph 11, subchapter 4 of Chapter XX). In other words, balance-sheet value for tax depreciation has to be equal to balance-sheet value at the end of the last year. This value should be further used in tax accounting for keeping account of all transactions that affect tax depreciation amount.

In that regard, we believe that this transition provision is not to be taken into account by taxpayers who do not adjust financial result to tax differences. Since the ‘transition’ rule relates to calculating depreciation under paragraph 138.3 of TCU, it is used only by taxpayers who calculate depreciation amount for determining taxable

assets on the basis of norms and constraints of TCU. On the contrary, those who do not keep account of tax differences do not apply paragraph 138.3 of TCU (as it will be seen further, depreciation is the main element of such differences). Consequently, balance-sheet value of fixed assets and intangible assets in tax accounting for 2014 plays no role for them.

On the one hand, it simplifies accounting and helps accountants depreciate even the assets that have never been depreciated in tax accounting before, namely nonproductive assets. On the other hand, it might appear that balance-sheet value as of 1st January 2015 can be less than taxable value, and therefore an enterprise will reduce its expenditure as future depreciation amount might decrease. This is particularly apparent in enterprises, which do not adjust financial accounting to tax accounting, and which use shorter depreciation periods in accounting and do not increase the value of fixed assets by above-limit repairs costs.

As a matter of fact, inflation rate in 2014 exceeded 10% (amounted 124.9%). Under such circumstances paragraph 146.21 for the revised version of Chapter III provided the right to review balance-sheet value of fixed assets as of the end of 2014 (through indexation of depreciation amount and accumulated depreciation). In fact, future tax accounting needs balance-sheet value at the end of the year.

Moreover, tax indexation will be useful for those taxpayers who do not keep account of tax differences and rely on financial accounting. In financial accounting, indexation can be carried out similar to the way a revaluation is performed under paragraph 16 of NP(S)A 7. According to it, the original (revalued) value of a fixed asset can be increased by the amount of indexation that is carried out in accordance with tax legislation and is reflected in accounting records under paragraphs 19-21 NP(S)A 7. And besides, unlike conventional revaluation, this way of increasing balance-sheet value can be carried out without the help of professional valuers of assets.

Thus, for the purpose of tax depreciation, balance-sheet value as of 1st January 2015 equals the tax value as of 31st December 2014. The transition rule of paragraph 11, in subchapter 4 of Chapter XX of TCU, sets out the procedures of balance-sheet

value determination as of 1st January 2015, but it does not include general constraints for changing balance-sheet value (however, it should be taken into consideration that there are also some constraints relevant to depreciation difference that is subtracted). Therefore, the old tax value of fixed assets as of 31st December 2014 can be taken into account as a starting indicator for new tax accounting, but in the future nothing prevents enterprises from changing it under the procedure specified in accounting regulations. Obviously, the biggest question is the possible effect of subsequent accounting revaluations of transition fixed assets on that value. And since legislators failed to give due consideration to the important issue, practitioners should express their opinion on the matter.

It follows from the above that since 2015, enterprises which adjust financial results to taxation have been calculating tax depreciation in accordance with paragraph 138.3 of TCU. Regarding transition fixed assets and intangible assets they use balance-sheet value as at the end of the last year.

Enterprises that do not adjust financial results depreciate their fixed assets under the procedure specified in accounting regulations and without regard to TCU.

Old fixed assets introduced before 2015 have been already considered above. The question arises as to what to do with purchased and self-manufactured assets which an enterprise introduced in 2015. Moreover, some of them were previously in use and operated by other owners. In such a case, they should be considered as new.

The question will then be how to calculate original value of fixed assets without the corresponding regulations specified in TCU. Actually, the transition regulations mention fixed assets that were recorded in tax accounting before 2015, but Chapter III of TCU says nothing about the value of new assets. This is not a gap in the legislation. The revised tax regulations indicate that the accounting standards are sufficient (including for the purposes of calculating asset salvage value, Article 138, subparagraph 14.1.84 of TCU). Specifically, paragraph 8 of P(S)A 7 is dedicated to components of original value.

Enterprises that do not determine tax differences adhere only to financial accounting. Other enterprises have to adjust their financial results calculated on the

basis of accounting records on tax differences related to fixed assets, particularly to depreciation.

Before taxation, the following procedures are recommended for the accounting financial result:

1) to increase it by depreciation amount of fixed assets calculated in accordance with NP(S)A (paragraph 138.1 of TCU);

2) to decrease it by depreciation amount of fixed assets calculated in accordance with paragraph 138.3 of TCU.

It is worth emphasizing that for the purposes of the Tax Code of Ukraine fixed assets history should be determined under subparagraph 14.1.138 of TCU. The criteria have been established above.

This procedure is equally applicable to additive component of accounting depreciation and subtrahend of tax depreciation from financial results. In other words, depreciation of fixed assets is added to accounting financial results before taxation, while tax depreciation is subtracted.

In practice, accountants have to choose among fixed assets those that correspond with the tax terminology (subparagraph 14.1.138 of TCU). As a result, nonproductive fixed assets and intangible assets that cost under \$6,000 will be excluded.

A particular attention should be paid to nonproductive fixed assets, because according to TCU, nonproductive fixed assets do not fall under the definition of 'fixed assets' (subparagraph 14.1.138). Therefore, there is no reason to increase financial results by their accounting depreciation amount. Thus, depreciation amount decreases a taxable asset's value which is contrary to the provisions of subparagraph 138.3.2 of TCU. As for intangible assets whose value does not exceed UAH 6,000, these assets do not fall under the definition of 'fixed assets' in TCU 9 (regardless of their value dividing line for low-cost assets set for the purposes of accounting in the Order on Accounting Policy). Therefore, tax differences do not arise. Depending on the accounting method used, accounting depreciation amounts affect the accounting financial results and hence taxable assets.

In the future, attention should be paid to the amount of depreciation calculated on such assets during the reporting period. Since not all fixed assets are taxable, it is advisable to simplify calculations by separating depreciation of assets that fall under the definition of ‘fixed assets’ on special subaccounts. Otherwise, at the end of the reporting period there may be a need for a cumbersome manual selection.

While calculating taxable assets, the received amount of accounting depreciation should be added to the accounting financial results of the reporting period, even though part of this depreciation has not been involved in the consolidation of those financial results. For example, it might have remained in the balance of finished products or capital investments. It is therefore incorrect to talk about ‘clearing’ financial results from accounting depreciation. Indeed, according to paragraph 138.1 of TCU, financial results are ‘cleared’ even from those amounts that have not been included in them because “before taxation financial results increase by calculated depreciation amount of fixed assets or intangible assets in accordance with the National Provisions (Standards) of Accounting”. As a result of such increase the calculated value is received.

Based on financial accounting data, the result obtained after increasing the financial results by depreciation amount is decreased by depreciation amount of fixed assets, calculated under paragraph 138.3 of TCU.

The procedure for calculating depreciation amount of fixed assets for the purposes of determining taxable assets is described in paragraph 138.3 of TCU. Subsequently, on the basis of subparagraph 138.3.1 of TCU, the calculation of depreciation of fixed assets is carried out under NP(S)A with regard to restrictions imposed by subparagraphs 14.1.138, 138.3.2-138.3.4 of TCU. For calculating tax depreciation of ‘transition’ fixed assets, it is necessary to follow the procedure for determining their starting balance value as of 1st January 2015 (it should be equal to tax balance value as of 31st December 2014 – paragraph 11 of subchapter 4, Chapter XX of TCU).

In fact, tax depreciation is the same as accounting depreciation, but with some specific features and exceptions which occur in the form of ‘differences’.

Subparagraph 138.3.1 of TCU states that for calculating tax depreciation, depreciation methods specified in NP(S)A are used except for production method. Thus, the list of methods is limited to those given in the National Standards (the list of methods for fixed assets is specified in paragraph 26 of NP(S)A 7, except for production method).

By the way, there is no exhaustive list of methods for depreciating fixed assets in the international standards. Therefore, if a user of IFRS applies to certain assets (groups) another method, it will be necessary to abandon it for taxation purposes.

Regarding production method, it was not frequently used before, because even before 1st January 2015 it did not comply with the procedure of tax depreciation (since it was difficult to predict a minimum useful lifetime). As for the replacement of production method, there are no such requirements even for those taxpayers who keep records of adjusted tax differences (the others have nothing to do with that matter). Another thing is that for tax purposes, depreciation still has to be calculated by applying one of the methods specified in TCU: straight line depreciation; reduction of residual value; accelerated reduction of residual value; cumulative (paragraph 26 of NP(S)A 7).

Subparagraph 138.3.1 of TCU warns that tax depreciation is calculated “in compliance with the restrictions specified in subparagraph 14.1.138”. Meanwhile, subparagraph 14.1.138 does not include any restrictions. It only gives a definition for fixed assets. But since “calculation of depreciation of fixed assets” is under consideration, this definition is something that should be carefully understood in the context of TCU. In other words, taxable low-cost fixed assets should not be depreciated, since they do not fall under the definition of fixed assets in subparagraph 14.1.138 of TCU. It is also necessary to stress that the composition of assets should be identical for both ‘plus’ and ‘minus’ adjustments. In the absence of special clauses in article 138 of TCU, the term ‘fixed assets’ is used identically for all adjustments of financial results, specifically under the definition specified in subparagraph 14.1.138 of TCU.

Another matter examined in the paper is minimum depreciation periods. For the purposes of taxation, they are used in accordance with subparagraph 138.3.3 of TCU (they do not differ from the terms given in the previous edition of Chapter III in TCU). Moreover, they relate to both new assets and those that have already been in use. Therefore, the following points should be noted:

1) If useful life periods (operation terms) of fixed assets in accounting are less than minimum depreciation periods of fixed assets, calculation of tax depreciation is carried out in accordance with the terms specified in subparagraph 138.3.3 of TCU.

2) When useful life periods (operation terms) of fixed assets in accounting are equal or exceeds those set out in subparagraph 138.3.3 of TCU, then useful life periods (operation terms) of fixed assets determined in financial accounting are applied for calculation of tax depreciation.

Taxpayers who do not keep records of adjusted tax differences can set shorter periods of useful life for new fixed assets than specified in subparagraph 138.3.3 of TCU. As for the old ones, they can be reviewed if prospective economic benefits of their use change. In financial accounting, it could have been done earlier (paragraph 25 of NP(S)A 7), but most taxpayer used fiscal restraints in order to reduce costs of double-entry bookkeeping of fixed assets (tax and accounting).

In financial accounting, enterprises that keep records of tax differences are not constrained by minimum useful life specified in subparagraph 138.3.3 of TCU. Therefore, it will be quite normal when useful life periods of fixed assets in accounting are shorter than minimum tax periods. However, this also leads to extra accounting work. Anyway, useful life of fixed assets in accounting should be justified and based on criteria given in paragraph 24 NP(S)A 7.

Thus, taxpayers can make tax adjustments of financial results using the following procedures: their income exceeds UAH 20 million or does not exceed this limit, but an enterprise chooses to calculate tax differences and adjust financial results to them.

Differences arising in the calculation of depreciation of fixed assets are divided into three parts in terms of: depreciation of fixed assets and intangible assets; increase

/ decrease in value and reduction / recovery of utility; residual value of a fixed asset or intangible asset in case of sale or liquidation. Furthermore, for calculating depreciation value of fixed assets and intangible assets balance-sheet value of fixed assets and intangible assets as of 1st January 2015 has to equal balance-sheet value of these assets as at 31st December 2014.

Enterprises that do not adjust financial results have to depreciate their fixed assets solely in accordance with the regulations of accounting.

Enterprises that do not determine tax differences adhere to financial accounting. Other enterprises have to adjust their financial results calculated on the basis of accounting records on tax differences related to fixed assets, particularly to depreciation.

Taxpayers who do not keep records of adjusted tax differences can establish shorter periods of useful life for new fixed assets than those specified in subparagraph 138.3.3 of TCU. Enterprises that keep records of tax differences are not constrained by minimum useful life specified in subparagraph 138.3.3 of TCU.

References:

1. Богацька Н. М. Аналіз основних засобів підприємства / Н. М. Богацька // Економіка. – 2010. – № 5. – С. 10–15.
2. Довгопол Н. Амортизація : предметна сутність і ступінь впливу на відтворення основних засобів / Н. Довгопол, М. Нестеренко // Бухгалтерський облік і аудит. Науково-практичний журнал. – 2010. – №12 – С. 3–13.
3. Задорожний З. В. Гармонізація бухгалтерського обліку із вимогами податкового законодавства // З. В. Задорожний. – Збірник наукових праць кафедри економічного аналізу ТНЕУ «Економічний аналіз». – Випуск 9. – Тернопіль, 2011. – С. 10–13.
4. Колумбет О. П. Економічний зміст амортизації необоротних активів та проблеми її нарахування в умовах сталого розвитку / О. П. Колумбет // Формування ринкових відносин в Україні. – 2012. – № 1. – С. 82–86.

5. Левицька І. В. Відтворення основних засобів: теорія і практика [монографія] / І. В. Левицька. – Тернопіль: ТзОВ «Терно-граф», 2010. – 272 с.
6. Савченко А. Г. Прискорена амортизація у системі державного регулювання / А. Г. Савченко, Н. П. Москалюк // Фінанси України. – 2003. – № 7. – С. 68–74.
7. Стадницький Ю. І. Амортизація основних засобів: класифікація підходів / Ю. І. Стадницький // Наука і економіка : науково-теоретичний журнал Хмельницького економічного університету. – 2011. – Вип. 4 (24). – С. 72–78.
8. Податковий кодекс України від 02.12.2010 р. № 2755-VI (із змінами і доповненнями) [Електронний ресурс]. – Режим доступу : <http://www.zakon.rada.gov.ua/go/2755-17>
9. Положення (стандарт) бухгалтерського обліку 7 «Основні засоби» № 372 від 18.03.2011 р. [Електронний ресурс]. – Режим доступу : <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=z0288-00>

2.3. INTANGIBLE CAPITAL AND FUNCTIONS TO MANAGE ITS VALUE

Capital is one of the fundamental economic categories, which is reflected in almost all major economic studies. There can be traced several major trends:

- 1) natural-tangible approach (A. Smith, J. Clark, A. Marshall, P. Samuelson);
- 2) monetary approach (S. Fisher, M. Friedman);
- 3) a combination of the previous two approaches (D. Begg, J. Robinson).

K. Marx was the first to consider the concept of “capital” in terms of relations and identified trends dividing capital into tangible and intangible [5, p.4].

The result of ambiguous understanding of capital in the economy is mutual misunderstanding of this category by the researchers. Capital abstractness and its ability to reproduce and increase are viewed in the light of specific assets, which cannot grow as well. The assets and capital management are substantially different in this context. On this issue there is interesting idea of Yuji Ijiri. He argues that the main task of the manager dealing with capital is to develop and optimize its structure for use in projects, which generate revenue, and the main task for manager of inventory is to keep project on track efficiently with the goal of maximizing the impact of its implementation [2, p.8].

The concept of capital is defined in modern interpretation as an economic category that describes the resources created by human, and which are used to produce goods, services and income. Capital acts as a money capital (real capital); enterprise-level capital is the entire amount of material goods and money resources used in production.

Summarizing political economy definition there can be distinguished five basic properties of capital: 1) limited economic resource; 2) cumulative economic resource; 3) resource that has certain liquidity, i.e. the ability to turn into cash; 4) the value which is able to renew in the circular flow; 5) value, which can bring new, added value.

On the assumption of these properties capital can be defined as accumulative and renewable economic resource in tangible or intangible form, which is included in the process of reproduction and growth of value.

Intangible capital or assets is a collection of intangible objects used in the production and implementation of economic and social benefits. The essence of “intangible capital” category consists in being an economic resource, which is involved in the material and immaterial production and this is the resource that generates income that exceeds the real economic expenditures of its use and is able to participate in the reproduction process in immaterial form.

In the twentieth century there is a trend of transition from an industrial society with a predominance of financial capital to the “post-industrial” with a predominance of intangible resources that alter the structure of social production and have a specific value, usefulness and value that can be economically converted into any form required to meet the needs. Scientists speak of the emergence of “knowledge economy” and “knowledge society” in English-speaking countries, German speaking talk about «Wissensgesellschaft» and French authors — about “capitalisme cognitive” and “societe de la connaissance”. The productive labour, which was measured in the product units, which were made over some time, has changed into immaterial labour, which cannot be measured in classical way. The economy of post-industrial type involves the shift from management of material flows to management of knowledge, information, know-how, mental behaviour of employees, i.e. to management of intangible resources of the company. Intangible capital management was worked out in the works of Karl-Erik Sveiby, John Kenneth Galbraith and others.

In recognition of the importance of theoretical intangible resources in the end of the 90s there is emerging practice of creating specialized departments of intangible assets management in companies in US, Japan and Germany. A variety of studies show that over 60% of the companies included in one hundred largest enterprises contain specialized staff in its staffing (Chief Knowledge Officer — knowledge chief head) that function as to facilitate the creation of new intangible assets within strategic planning, market research and research and development, monitoring of

intellectual assets, forming and implementing strategies managing their value [3, p 197].

Before considering the nature of this form of capital it is necessary to determine its common and distinct features in comparison with the physical (material) capital.

Intangible capital or assets is a complex of long-term resources of the company development embodied in the objects that have no physical or material existence. It is not limited to intellectual or human capital within this broad approach. Some researchers consider intangible capital or assets to be a combination of accumulated and capitalized knowledge, information and other resources as an intangible part of main capital.

Common among them is that the two types of capital originate as a result of engagement of resources (financial, manufacturing, human) to achieve a positive result of the organization activity (profit, increase market share, improve social and environmental performance). Both types of capital in the operation reduce its value (physical and mental impairment) and the need of additional resources to maintain them in working order. According to intangible capital it is, for example, sending resources to maintain brand value, security and update databases, and so on. An important condition for the existence of these types of capital is the ability of their evaluation at any time of their operation.

However, these types of capital also have significant differences in their nature. In particular, the financial capital is the result of some past investments, intangible capital is also a result of these investments, but its use is more targeted for the future. This facts cause the assessment of those types of capital: financial assets are measured with the expenditures that have already been made and intangible capital assessment is based on the discounted value of future cash flows from its use. Intangible assets unlike the material make it possible to obtain not only financial (cash) results, but achieve competitive advantage in the market, investment attractiveness etc.

Unlike tangible assets the same intangible asset can be used simultaneously in different areas of the company's activity. Investments in intangible assets suppose much longer time lag of payback of such investments compared with the material.

The process of intangible capital management can be expressed through the following functions: value identification function, analytic function, protective function, the function of research and implementation.

Intangible asset value identification affects not only the general state of the financial records, but is an important argument in making investment and other management decisions. Regarding most of the structural elements of intangible capital there is a risk of their value biased assessment because they lack active market. This can lead to distortions in their valuation. Such a mass phenomenon as the intangible assets value overstatement was registered in 2008 when the companies related to IT technologies went bankrupt en masse. The cost of their shares decreased to zero marks, although the financial statements showed the significant value of the asset balance. Further analysis showed that these accounting documents were burdened with cost of intangible assets, which were quite subjectively assessed.

Assessment is the result of identification and analysis of qualitative and quantitative characteristics of the controlled object and it is also a process of management of industrial and economic activity. Therefore, the assessment is a process of understanding positive or negative significance of any economic phenomena, labour results, forms of industrial and economic activity, tangible actions, achievements to meet human needs, interests and goals of the subject.

Summarizing publications there are the following methods of valuation of intangible assets:

- 1) Direct measurement methods based on the identification and evaluation in the monetary values of certain assets or components followed by integrated assessment of intangible assets.
- 2) Methods of scoring. They identify individual components, which are assigned a certain number of points. This method can be used more in the management report, as it does not provide monetary value.

- 3) Methods for calculating the return on assets. There is calculated the ratio of the average income to company's tangible assets for a certain period and then it is compared with similar averages for the industry as a whole. The difference is shows the effect of tangible and intangible factors.
- 4) Methods of market capitalization. There is calculated the difference between the market value and the equity of its shareholders. The resulting difference is considered as the value of that share of intangible assets that are not reflected in the monetary evaluation, i.e. intellectual capital.

Within this function there should be an important focus on revaluation of intangible assets as there is the need to determine objectively the useful life of intangible assets in this context. From this perspective, it is important to identify those factors that influence such value. In particular, Robert F. Reilly, Robert P. Schweihs identified the following: 1) the duration, during which the asset or restrictions on rights to use it are controlled; 2) obsolescence of the asset due to scientific and technological progress; 3) conjunctural changes, product market positioning and its life cycle; 4) the level of operational expenses to maintain intangible assets functioning [4].

Value identification function is closely intertwined with the analytical function, the main task of which is to determine the efficiency of an intangible asset, to establish causal relationships of influence and interdependence of factors, to determine the need for the creation and/or acquisition of intangible assets. The correlation analysis of the life cycle of an intangible asset and goods is important while implementing this function.

It should be borne in mind that each stage of the life cycle of an intangible asset is characterized by economic characteristics inherent only to it [3, P.144], including:

- 1) There is a fairly low effect of intangible asset use at the stage of its implementation, i.e. when a product made with its use comes to market. However, this product will provide a competitive advantage to the enterprise in the near future.

- 2) Growth stage is characterized by market acceptance of products that are manufactured with the use of intangible assets; the demand and prices increase.
- 3) Stage of full development and ultimate returns on an intangible asset that is accompanied by appearance of foreign competition and imitation, which uses analogous or similar products.
- 4) The emergence of competition and substitute products lead to the recession, loss of economic and functional advantages, which, in its turn, leads to the final use of the intangible asset. The presence of small value of intangible assets in use is characteristic to this stage.

The correct structure of the life cycle of an intangible asset and identification of its present stage will allow taking a range of actions to improve usage efficiency.

In implementing protective function there can be identified such areas as technical, legal and organizational. Technical protection should be based on securing intangible capital elements from forgery. The counterfeiting of intangible assets and selling under the brand fake products causes companies and brand owners significant losses from the shortfall in revenue.

Legal area includes permanent research on protection issues at the legal level by competent lawyers able not only to organize protection of rights to intangible assets in the market, but also to formulate demands for compensation when such rights are violated, arrangement of agreements for the assets use with their owners.

Organisational protection should be an implementation of the trade secrets regulations, development of a set of measures that will promote the creation and use of intangible assets, rewarding employees involved in this process, development of the mechanism of interaction of legal, patent, marketing and economic departments among themselves on the issues of use of such assets.

One of the key functions of intangible assets management is a function of research and implementation. The use of this function should take place taking into account the life cycle of an enterprise. It should be borne in mind that operational activity volume grows quite rapidly if there is provided the correct choice of market segment in the early stages of the life cycle of the enterprise. Therefore intangible

assets formed at this stage should have some reserve capacity, which provides production growth opportunities and diversification of operations in future periods.

Intangible assets can be purchased as ready-made or created as a result of research and development. Today, there are two parallel approaches in the global accounting. The first assumes the increased uncertainty of R&D results and, appealing to the principle of reasonable caution, involves the cancellation of such costs in the period in which they arise. The USA, Canada and Germany hold to this approach. Within another approach research and development investments are interpreted as investments capable to payback in the future. In this case, the R&D expenses are considered as an asset to be amortized while having profit from it. This scheme is accepted in accounting in UK, most European countries and in Japan. We argue that the second approach should be followed, although it is contrary to domestic provisions (standards) of accounting, which require writing off such expenses in the period they occur if they do not lead to the creation of the asset. The fact is that there are many examples when research is frozen at some point, and then, after a while, it is commenced. In this case created intangible asset will have distorted value because a part of the cost for its creation is already written off. Therefore, to eliminate these inconsistencies there is a need to set time interval or, rather, a moratorium on writing such costs off.

It should be noted that the techniques and methods of intangible assets management depend on the type of competitive strategies adopted by the company.

Thus, A. Yu. Yudynov proposes to introduce the following strategies:

- violent (power) strategy;
- patient (specialized) strategy;
- commutant (adaptive) strategy;
- exploration (experimental) strategy [1].

Accordingly, there are four types of companies: violents, patients, commutants and explorers.

Companies-violent (violent – “strong”) operate in large standard (mass) production. Product manufactured by companies-violent is characterized by the

relative cheapness and middle quality. The advantage of such organizations is that the production of standard products can be organized more efficiently and at lower cost than the production of small batches of goods that differ. The presence of extensive research that ultimately turns into intangible assets is characteristic to companies-violent. In addition, they must invest a lot of resources to maintain the trade mark, to upgrade databases concerning customers, suppliers and others.

Companies-patients (patient – “steady”, “persistent”) specializing in the production of highly specialized products in small batches. Usually they work in the segment not occupied by large corporations. Such firms have a limited number of patents, but these assets are unique and have very high market value. Research and development are on the way to the less ambitious but more specialized and narrow designs. Both violent and patient strategies try typically to ensure a patent monopoly to create goods improvements.

The strategy of commutant companies (to commute – “to substitute”) provides flexibility to meet the demand of any orientation. It is usually a small enterprise. Commutants need neither big capital nor significant production capacity for their activity. However, a binding prerequisite is the existence of a trade mark, which is their intangible asset. Companies-explorers (exploration – “research”) are involved in generation and introduction of new ideas and technologies into practice. In essence their activities to create new products ensure the availability of competitive advantage and obtaining profits. They are characterized by significant investment in research and experimental development. Finished products as patents are intangible assets for other organizations.

Depending on the strategy companies should choose the tool for managing intangible capital. However, you can rarely encounter a defined strategy from inception of the company in practice. Usually it goes through several types of competitive strategies and this approach leads to changes in intangible capital management functions.

Thus the identification of business strategy will optimize a set of tools for managing intangible capital and increase the efficiency of its use.

References:

1. Зайцева Г. В. Проблемы управления нематериальными активами в целях повышения конкурентоспособности современных организаций [Электронный ресурс]. – Режим доступа : dom-hors.ru/rus/files/arhiv.../9.../zaitseva,%20panina.pdf .
2. Теория измерения капитала и прибыли: [монография] / под общ. ред. проф. Бутынца Ф., проф. Добин М. – Краков: Fundacja Uniwersytetu Ekonomicznego w Krakowie, 2010. – 400 с.
3. Облікова концепція управління вартістю нематеріальних активів підприємства [монографія] / П.О. Куцик, І.М. Дрогобицький, З.П. Плиса, Х.І. Скоп. – Львів: Растр-7, 2016. – 268 с.
4. Рейли Р. Оценка нематериальных активов: науч.изд. / Р. Рейли, Р. Швайс. – М. : Квинто-Консалтинг, 2005. – 761 с.
5. Ягупа Е.Г. Развитие теории нематериального капитала региона [Электронный ресурс]. – Режим доступа : www.e-rej.ru/Articles/2011/Yagupa.pdf.

2.4. RECOGNITION OF GOODWILL IN THE ACCOUNTING SYSTEM OF THE COMPANY

One of the essential assets that has significant impact on the investment attractiveness of the enterprise is goodwill. Due to its interpretation and variation in approaches, goodwill generates plenty discussions and is one of the most problematic research question in general accounting methodology. This is true not only for Ukraine but throughout the world. Currently there is not enough research on the recognition and valuation of goodwill in economic literature and regulations governing measurement of the intangible assets, confirming the importance of this study.

The aim of our research is to improve the recognition regulations for goodwill from the perspective of a modern economic environment. There is a lack of unique verified method for assessing goodwill so that critical analysis of methods for valuation of intangible assets needs to be conducted. The important task is to identify the criteria of the impairment of goodwill testing (considering the subjectivity impact) and to create definition of internally generated goodwill under conditions of fuzzy information.

Goodwill and its components such as level of quality control, reliability, buyers, trade secret, highly skilled workers and research are not reflected in the financial statements. However, many researchers insist the correct and appropriate assessment should help to show them as assets in financial reporting. V. Kitchel [1] tells that more and more companies realize that their advantage is not in the hardware but intangible assets such as the brain power of a corporation. American professor D. Quinn [2] suggests that three-quarters of value added in manufacturing is obtained through knowledge. Existing restrictions on the recognition and measurement of certain types of intangible assets do not allow them to be recognized as an object of accounting.

Regarding the necessary valuation of intangible assets, opinions of individual scientists are diametrically opposed. Australian Professor Raymond Chambers [3] argues that intangible assets are evaluated only in combination with tangible assets and therefore they must be considered as a residual benefit that remains after deducting all tangible assets. Intangible assets can't be separated from the company and evaluated under current monetary terms and must be written off immediately after the acquisition. Considering opinion of Raymond Chambers, intangible assets can be traded and therefore state the object of evaluation. Moreover the need for valuation of intangible assets, including goodwill, confirms significant influence on the market value of an enterprise as a whole. Thus for global companies «Coca-Cola» and «British Petroleum», the ratio of tangible and intangible assets is 4:96 and 29:71, respectively [4]. A positive corporate image for global corporations is important as it is a factor in approximately 97% of investments. As the goodwill value of the enterprise can be material, it is important to calculate the proper value.

There are many reasons why a financial adviser may be asked to value goodwill. Some of these reasons follow [5]:

1. Economic damage analyses. When a business has suffered a breach of contract or a tort (such as an infringement, breach of a fiduciary duty, or interference with business opportunity), one measure of the damages suffered is the reduction in the value of the entity's goodwill due to the wrongful action.

This analysis may encompass the comparative valuation of the entity's goodwill before and after the breach of contract or tort. This before and after method is also useful for quantifying the economic effects of a prolonged labor strike, a natural disaster, or a similar phenomenon.

2. Business or professional practice merger. When two businesses merge, the equity of the merged entity typically is to be allocated to the merger partners. One common way to allocate equity in the merged entity is in proportion to the relative value of the assets contributed, including the contributed goodwill.

3. Business or professional practice separation. When a business separates, the assets of the consolidated business typically have to be allocated to the individual business owners.

One common way to allocate the assets to the separating business partners is in proportion to the relative value of the assets controlled by or developed by each partner, including the goodwill of each business partner.

4. Solvency test. The solvency of a business entity is an issue with regard to lender's fraudulent conveyance concerns during a financing transaction or a financial restructuring.

One of the individual tests to determine if a business entity is solvent is: Does the fair value of the entity's assets exceed the value of the entity's liabilities (after consideration of the financing transaction)? One of the entity's assets that is considered in a solvency analysis is goodwill.

5. Insolvency test. The degree of insolvency of a business entity may have federal income tax consequences if debt is forgiven (in whole or in part) during a refinancing transaction or financial restructuring. One of the specific tests to determine if a business entity is insolvent for federal income tax purposes is: Is the fair market value of the entity's assets less than the value of the entity's liabilities (before the debt forgiveness)?

6. Intercompany transfer price. When intangible assets are transferred between related entities (for example, between a parent corporation and a less than wholly owned subsidiary), an arm's-length price should be estimated for the intercompany transfer of the assets.

Such an intercompany transfer may affect the profitability and return on investment of, say, two subsidiaries—one that is wholly owned and one that has a 10 percent minority interest owner.

7. Bankruptcy and reorganization. Parties in interest to a bankruptcy estate often have to decide if the debtor corporation is worth more as a going-concern business (pursuant to a plan of reorganization) or as a mass disposition of assets

(pursuant to a plan of liquidation). A valuation of the debtor's goodwill (if any) may be useful in assessing whether the business is worth reorganizing.

8. Conversion of a C corporation to an S corporation. One factor in the analysis of the costs and benefits of converting an entity's federal income tax status from a C corporation to an S corporation is the quantification of any built-in gains (BIG) tax associated with the value of the corporation's assets.

9. Business enterprise valuation. The identification and quantification of goodwill is one procedure of the asset-based approach to business valuation. An asset-based approach is often used in the valuation of an industrial or commercial company or professional service business.

10. Deprivation analysis. The goodwill valuation may be one component in the damages analysis associated with a business that is subject to a condemnation, expropriation, or eminent domain action. Financial advisers sometimes only consider the value of the entity's real estate and tangible personal property subject to the condemnation or other "taking."

11. Ownership allocation litigation. Several forms of litigation involve the allocation of direct or indirect ownership interests in a business entity. Two examples of such litigation include the following: marital dissolution cases (which involve the allocation of the business entity ownership interest within the marital estate).

12. Ad valorem property tax. In some taxing jurisdictions, state and local ad valorem property tax only applies to real estate and tangible personal property. The existence of economic obsolescence (a form of external obsolescence) may have a direct effect on the value of the taxpayer's real estate and tangible personal property. Accordingly, an assessment of the existence of economic obsolescence may be an important procedure in the valuation of such industrial or commercial operating property.

Goodwill is an integral part of life cycle of an enterprise and one of the factors of successful entering in the international market. However, the legal framework of Ukraine concerning the nature, assessment of goodwill and check for impaired requires changes and improvements.

History of goodwill accounting begins in 1981, when the first standard was in a beginning of the developing process. It was published in 1983 as IAS 22 (1983) “Accounting for Business Combinations” and was adopted in 1985 as an effective date of IAS 22. In 1993 and in 1998 IAS 22 was revised. The Standard covers both the acquisition of one enterprise by another and also situation where the acquirer cannot be identified. In 2001 an Exposure Draft of Business Combinations was published together with related exposure drafts proposing amendments to IAS 36 and IAS 38. In 2004 IFRS 3 was published and it superseded IAS 22. In 2008 and in 2010 IFRS 3 was revised [6].

There are different types of goodwill. Acquired goodwill is the goodwill generated due to acquisition. It can be positive (acquired price > net value of the assets) or negative (acquired price < net value of the assets) [7]. Internally generated goodwill is the goodwill generated by the business on its own. It is the excess of the market value of the business over the book value of the business. Accounting treatment of each type of goodwill is different from each other and from standard to standard. The accounting treatment of each type of goodwill is discussed below on the basis of five standards under discussion.

At the international level goodwill is regulated by IFRS 3 “Business Combinations”. Goodwill arising from a business combination is determined as: “consideration transferred to obtain control plus amount of non-controlling interest (using either option) plus fair value of previously-held equity interest less fair value of the identifiable net assets of the acquiree (100%)”, see paragraph 32, under IFRS 3 Revised 2008 (IFRS 3R). IFRS 3 compares for the result of goodwill two facts, “being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. In a business combination achieved in stages, goodwill was determined as the sum of goodwill arising at each stage of the acquisition”.

In general goodwill divided into two kinds of positive and negative. Negative goodwill occurs when the acquisition-date fair value of net assets exceeds the cost actually paid for them. Negative goodwill highly regressive reputation enterprise that

sell. The cost of negative goodwill recognized as income in the amount that exceeds the fair value of non-monetary assets. “A bargain purchase is a business combination in which the net fair value of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the non-controlling interests and the fair value of any previously held equity interest in the acquired company. A bargain purchase might happen, for example, in a business combination that is a forced sale in which the seller is acting under compulsion. However, the recognition and measurement exceptions for particular items, as discussed in chapter 8, might also lead to the recognition of a gain (or a change in the amount of a recognized gain) on a bargain purchase” [8].

On the order of recognition of goodwill accounted for using the provisions of international standards, where these features of the transaction. Under paragraph 48 of the IFRS 3R, “the acquirer recognizes an increase (decrease) in the provisional amount recognized for an identifiable asset (liability) by means of a decrease (increase) in goodwill. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability. For example, the acquirer might have assumed a liability to pay damages related to an accident in one of the acquired company’s facilities, part or all of which are covered by the acquired company’s liability insurance policy. If the acquirer obtains new information during the measurement period about the acquisition-date fair value of that liability, the adjustment to goodwill resulting from a change to the provisional amount recognized for the liability would be offset (in whole or in part) by a corresponding adjustment to goodwill resulting from a change to the provisional amount recognized for the claim receivable from the insurer” [9]. At the beginning and end of each reporting period the company which acquired another company has the duty of disclosing the quantity of moving goodwill for the next period. Deloitte economists have exposed individually the following items: “ the gross amount and accumulated impairment losses at the beginning of the reporting period; additional goodwill recognized during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as

held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with IFRS 3R paragraph 67; goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognized during the reporting period without having previously been included in a disposal group classified as held for sale; impairment losses recognized during the reporting period in accordance with IAS 36. (IAS 36 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement); net exchange rate differences arising during the reporting period in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates; any other changes in the carrying amount during the reporting period; and the gross amount and accumulated impairment losses at the end of the reporting period” [10].

As for the recognition of goodwill in reporting the information on intangible assets is a significant basis for decision-making. Consider recommendations standards. “Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the acquirer’s previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognized. If, after reassessment, the Group’s interest in the net fair value of the acquired company’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the acquirer’s previously-held equity interest (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain”, under IFRS 3R. Additionally, the same instruction, stipulates that “goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, amount of goodwill attributed to it is included in the determination of the profit or loss on disposal”. Under IFRS, IAS 36 – Impairment of

Assets, goodwill is allocated to Cash Generating Units (CGU), and the test for impairment, including goodwill, is on the entire CGU. Nevertheless a enterprise ought to recognize which CGU the goodwill applies to. An impairment loss is recognized, if and only if, the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds the recoverable amount of the cash-generating unit. The impairment loss should be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and secondly to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Another important point is that under IFRS, it is not permissible to reverse impairments previously recognized for goodwill. In particular, IAS 36 requires the reversal of an impairment loss for an individual asset other than goodwill, or a cash-generating unit, if and only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized.

Consider the features of accounting for goodwill of the United States General Accepted Accounting Principles (US GAAP). As a result of the US's powerful economic position on the market and the permanent progress of business combinations on the global markets we monitor how the US GAAP influences the IFRS, in particular as the American regulatory body has a consulting position in the IASB meetings. Under the US GAAP there is a two-step approach to goodwill [11]: "1. Compare fair value of the reporting unit with its carrying amount including goodwill. If fair value is greater than carrying amount, no impairment (skip step 2). 2. Compare 'implied fair value' of goodwill (which is determined based on a hypothetical purchase price allocation) with its carrying amount, recording an impairment loss for the difference". As for the other accounting treatments concerning goodwill, the US GAAP does not differ considerably from the IFRS.

Regulation of accounting for goodwill in Ukraine as the Tax Code Ukraine and National Accounting Standard 19 «Business Combinations» [12]. Both the above regulations acts fix recognition of goodwill as the difference between the value - market (fair value identifiable assets and liabilities) and the net (the acquirer), indicating that it can occur only when calculating these values, in the acquisition

(association) enterprises. Accordingly, under national law specifies only the goodwill on acquisition and understanding of internal goodwill generally absent. Goodwill is as a rule recognized at the time of the consolidation, and it represents the variation between the acquisition cost and the fair value of the assets acquired, at the date of the transaction. Internally generated goodwill is not recognized under the Ukrainian law, because it is well thought-out to be an unidentifiable source, meaning it can not be evaluated at a credible cost. The procedure of the recognition of internal goodwill asset (capitalization costs of establishing the internal elements of goodwill) is based on the current method under UAS 8 «Intangible Assets» (Figure 1):

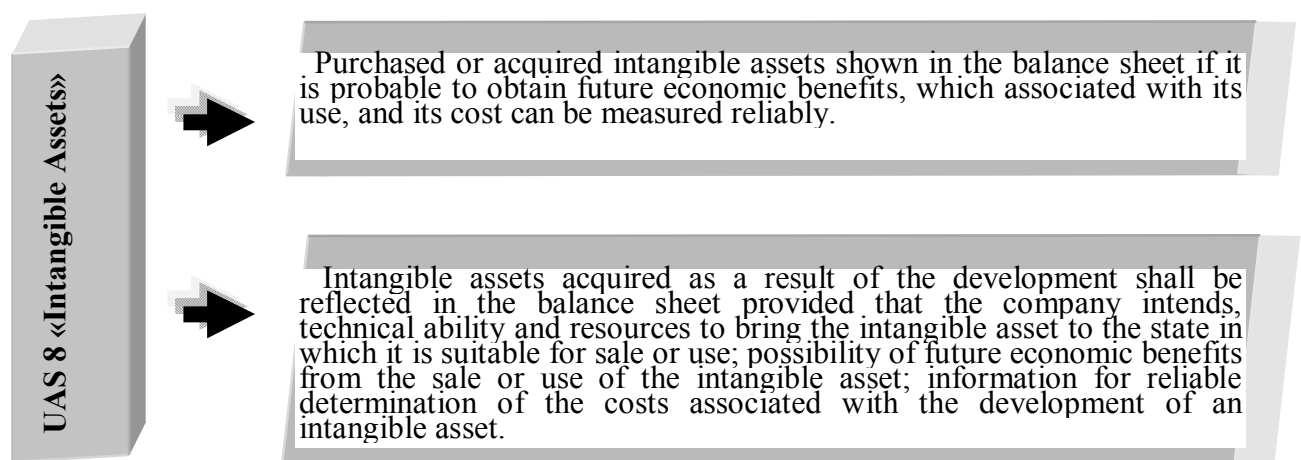


Fig. 1. Conditions of the recognition of intangible assets under UAS 8 «Intangible Assets»

1. Purchased or acquired intangible assets shown in the balance sheet if it is probable to obtain future economic benefits, which associated with its use, and its cost can be measured reliably.

2. Intangible assets acquired as a result of the development shall be reflected in the balance sheet provided that the company intends, technical ability and resources to bring the intangible asset to the state in which it is suitable for sale or use; possibility of future economic benefits from the sale or use of the intangible asset; information for reliable determination of the costs associated with the development of an intangible asset [13].

If the asset doesn't meet the specified criteria for recognition the costs associated with its creation or acquisition are expensed in the reporting period in

which they were made. Therefore, not all components are subjected to internal goodwill asset recognition criteria.

In 2001, the FASB issued [SFAS 141](#). Following that, after three years, the IASB issued their individual standard permitted the same, “Business Combinations”. The FASB and IASB planned a convergence program since 2004 and for years later, in 2008 both regulating parts announced revised versions of their standards concerning the matter of business combinations. As a result, the SFAS 141R becomes successful from December the 15th 2008, and the IASB’s IFRS 3R becomes useful from the 1st of July 2009 [9]. As said by Deloitte specialists, “the most fundamental change affects the biggest number: goodwill. In the first year of IFRS 3 adoption, goodwill accounted for 53%, £21bn, of acquisition values for the FTSE 100 and for the S&P 100 in 2007, 48%, or \$490bn. Under FASB 141 (R), the factors that constitute goodwill are now required to be disclosed, as has always been the case under IFRS 3. Such factors include intangible assets not separately identifiable, such as workforce, synergies of cost and synergies of scale. Financial regulators are making this a priority area for scrutiny, as it presents a significant opportunity for improved reporting”.

IFRS and NAS in the allocation of goodwill include similar recommendations. However, the Ukrainian legislation doesn’t set clear guidelines on the conditions and stages of checking the impairment of goodwill. It should be noted that Ukraine, nowadays is characterized by the practice of checking impairment full range of assets. In other words, domestic law allows restoration utility of the usefulness of goodwill, which is prohibited in IFRS and US GAAP.

The other difference which has to be taken into deliberation is the recognition of cash-generating units (or reporting units under US GAAP). In the case of identification of cash-generating unit under IFRS more cash-generating units can be identified as reporting units in the case of SFAS 142. SFAS 142 claims that a reporting unit cannot be identified at a lower stage than an operating segment. IAS 36-Impairment of Assets doesn’t have a limit. Therefore a cash-generating unit can

be recognized at a lower level and the impairment test would be done at a lower level in association with US GAAP [14].

The important difference relates to the impairment test of goodwill. The process of impairment of goodwill differs considerably between the two accounting necessities. In accordance with SFAS 142.18 a two step practice is regulatory. In the first step the fair value of the reporting unit is expected. Consequently the fair value of the reporting unit is compared with its moving value. When the fair value is lower than its carrying amount the next operation needs to be performed. Then the implied fair worth needs to be determined. The fair value of the reporting unit needs to be owed to all assets and liabilities. The indirect fair value is then compared with the carrying amount to establish if impairment has occurred.

The other differences between the impairments test regarding IAS 36 and SFAS 142 are the following: under IAS 36 the liabilities of the cash-generating unit would not be included in the calculation of the carrying amount of the unit (unless they were unable to be factored out of the recoverable amount calculation). IAS 36 would also not proceed to step 2, but would calculate the write-down at the completion of the step 1. The write down under IFRS would amount to 300 current units-carrying amounts less the fair value of the cash generating unit (1.500 - 1.200). The fair value under IFRS is different in comparison with US GAAP because IFRS do not take into consideration the effect of the existing liabilities. As stated before in the second step SFAS 142 determines the fair value of reporting unit by determining fair values of all recognizable assets and liabilities as if the unit was acquired in a business combination on the day of impairment test. In the previous illustration IFRS did not take unrecognized trademarks (Deloitte, 2004) into consideration [14].

The important difference refers to the recognition of contingent liabilities. Under IFRS 3.51 requires the recognition of goodwill estimate the fair value of the assets, liabilities and contingent liabilities. Contingent liabilities be recognized separately only if fair value can be measured reliably. The recognition of goodwill Standard number 141 does not allow the recognition of contingent liabilities (Conversion of assets and 141.43). Should the contingent liabilities initial amount of

goodwill on acquisition is higher than in other cases where contingent liabilities will not be as an item in the balance sheet.

As for the complexity and long duration of the inspection, the American standards are paying more attention to determine the fair value of goodwill and reporting units than international and domestic accounting rules. So it would be wise for the Ukrainian enterprises to carry out the following checks properly and to put particular emphasis on accurate assessment of goodwill and the development of appropriate guidelines, which conduct is enshrined in law.

After the first valuation of goodwill we need to make the impairment testing. It is done in two discrete parts. First part the fair market value of the reporting unit is calculated. This valuation is done as of a specific date and must be repeated annually at the same time each year. The fair market value is compared to the carrying value of the reporting unit. If the fair market value is equal to or greater than the unit's carrying value, then goodwill of the reporting unit is not considered to be impaired. Thus, the first part of the impairment test is not necessary. Alternatively, "if the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any" [15].

In this part, the implied fair market value of goodwill is estimated and compared to the carrying value of goodwill for the reporting unit. If the carrying amount of goodwill exceeds its implied fair market value, an impairment loss equal to this excess is recorded. The recorded loss cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recorded, the adjusted carrying amount of goodwill becomes the new accounting basis for subsequent goodwill impairment tests.

Existing methods for determining the present value of the business reputation of the company are not universal, it does not include items such as goodwill skills, reputation of top management, favorable economic situation and so on. In addition, goodwill can be assessed by experts based on evaluation ethics in relationships with partners (obligations, responsibilities, credit history, honesty, openness), ethics in

relationships with internal partners (liability of managers to shareholders, financial «transparency» businesses), performance management (profitability, innovation, market expansion, etc.), product quality, service, reputation heads.

As a result of the study there are following conclusions:

1. Goodwill is the economic reflection of the business reputation which embodies the advantages that the buyer receives in case of the acquisition of the company when the price is higher than the net asset value at fair (market) evaluation. Identification of goodwill as positive or negative is inappropriate, because the definition of this term indicates the presence of preferences («Goodwill») as to indicate a negative difference it is proposed to use the term «Badwill».

2. In view to the implementation of national accounting practice IFRS recognition of goodwill requires some adjustments. In particular, in part of the verification of the impairment it is advisable to select the number of stages of testing and eliminate the possibility of restoring goodwill impairment, which is prohibited by international rules.

3. Goodwill is difficult to assess because there are some features of its accounting and indicating in financial statements. However, the growing role of intangible assets in the formation of company profits, correct assessment and accounting of goodwill will allow to manage this type of asset effectively.

References:

1. Kitchel V. (1996) Searching for Nonfiction in Financial Statement, Fortune, December 23, pp. 34-35.
2. Stewart T. (1994) Your Company's Most Valuable Asset: Intellectual Capital, Fortune, October 3, pp. 23-24.
3. Chambers R. J. (1966) Accounting, Evaluation and Economic Behavior. Englewood Cliffs. – New York: Prentice Hall, pp. 398-399.
4. Best global brands, Interbrand (2015) [WWW resource]. – Available at: <http://www.bestglobalbrands.com/2014/ranking/>.

5. Robert F. Reilly, (2015) *Goodwill Valuation Approaches, Methods, and Procedures, Insights*, Spring 2015, pp. 10-24.
6. Business combinations and changes in ownership interests A guide to the revised IFRS 3 and IAS 27 [WWW resource]. – Available at: www.iasplus.com.
7. Sharma M., Neha (2014) «Comparative analysis - a study of accounting standards on intangible assets of five countries» *International Journal of Business and Management Invention* ISSN, Volume 3, Issue 2, February. 2014, pp. 10-17.
8. International Financial Reporting Standards [WWW resource]. – Available at: <http://www.ifrs.org>.
9. Ratiu R. V. (2012). “Accounting Regulations for Goodwill at a National, European and International Level Romanian Statistical Review Supplement“, vol. 60, issue 4, pp. 249-258.
10. Feleaga L., Feleaga N., Dragomir V. (2009), “National Standards and European Accounting Harmonization: Twenty Years of Scientific Literature in Review”, *European Journal of Management*, Vol. 9, No. 2, pp. 10-21.
11. General Accepted Accounting Principles, GAAP [WWW resource]. – Available at: <http://www.gaap.in.ua/archives/3447>.
12. Положення (стандарт) бухгалтерського обліку 19 «Об’єднання підприємств», затверджене наказом Міністерства фінансів України від 7 липня 1999 року № 163, зі змінами і доповненнями [Електронний ресурс]. – Режим доступу: <http://zakon1.rada.gov.ua>.
13. Положення (стандарт) бухгалтерського обліку 8 «Нематеріальні активи», затверджене наказом Міністерства фінансів України від 7 липня 1999 року № 163, зі змінами і доповненнями [Електронний ресурс]. – Режим доступу: <http://zakon3.rada.gov.ua/laws/show/z0750-99>.
14. Jerman V., Manzin M. (2008) “Accounting Treatment of Goodwill in IFRS and US GAAP“ *Research papers*, Volume 41, Issue 6: pp. 218-225.
15. Brutting, Milena (2011) *Goodwill impairment: causes and impact*. (Unpublished Doctoral thesis, City University London).

2.5. CHOOSING METHODS OF COST ACCOUNTING AND PRODUCT COSTING FOR MANAGEMENT

The strategy of efficient cost management can ensure profitability of enterprises and help to overcome the crisis. The current accounting system is not able nowadays to provide the management with all operational information about the actual production costs. Efficient management requires sufficient and diverse information about the performance of the enterprise. Operational decisions can be made and objective analysis of the cost structure and production costs can be carried out on the basis of high quality accounting and economic information.

Several methods of cost accounting and product costing can be used to relate properly the costs to specific products, taking into account technological and organizational peculiarities of the production, and to record the formation of their consumer properties.

Methods of cost accounting and product costing are used to calculate the costs of certain types and groups of goods, works, and services. Thus, a method of cost accounting can be considered as a set of ways to display, group and systemize data on costs that provide achievement of a certain goal and solution to a particular problem. A method of product costing refers to a set of techniques of a company's cost-sharing according to the costing item and its identification as an object of accounting [1, p. 194].

It is necessary to specificate properly production costs of certain types of produced goods (homogeneous groups) or the stages of their production when choosing methods of cost accounting and product costing. This specification provides sufficient accuracy and reliability of costing without the complication of accounting registration technique of production costs.

The analysis of the works of foreign scientists allows to identify the main product costing methods for practical application (Figure 1.).

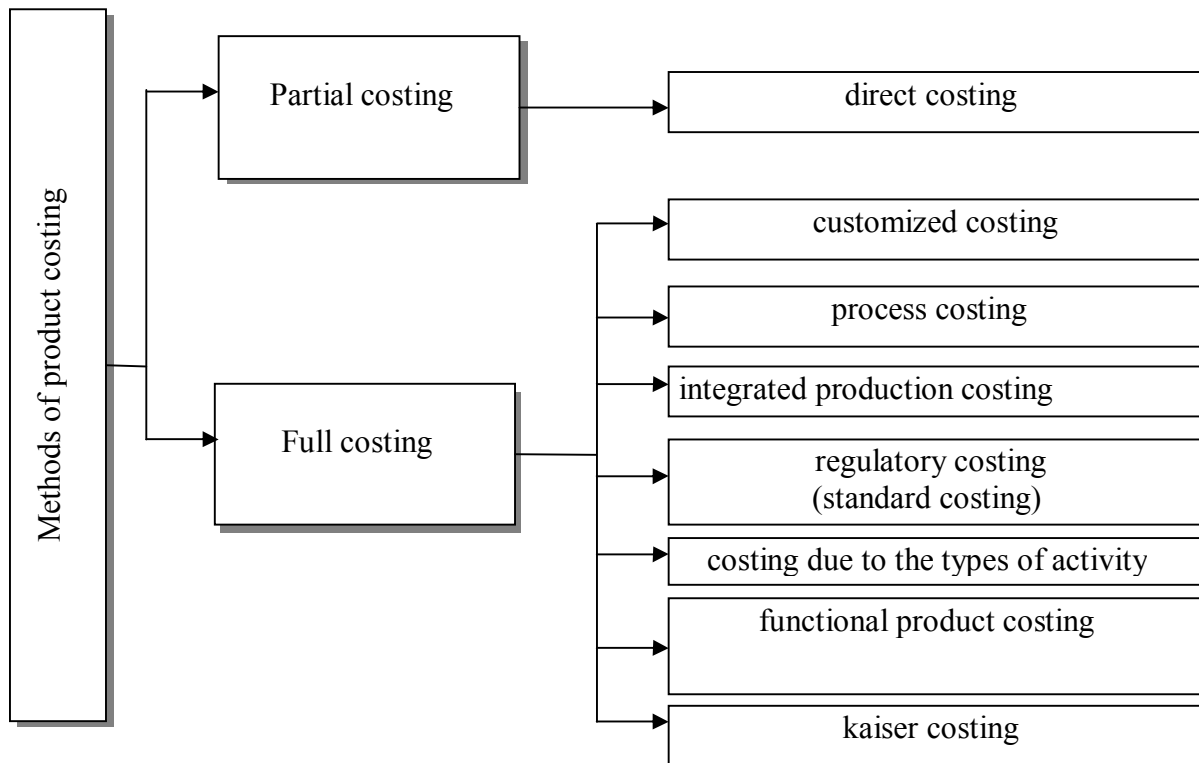


Fig.1. Methods of product costing

Special attention should be paid to two basic methods of product costing – “direct costing” and “standard costing”.

The peculiarity of “direct costing” is that only direct costs and a variable of indirect costs (overhead costs) should be considered while calculating the cost of production.

R.N. Mann says that “direct costing” is a cost accounting system based on the division of a company’s overhead costs into fixed costs, independent on the amount of products produced per unit of time, and variable costs that vary and are directly related to the amount of products produced per unit of time [2, 108].

Thus, determining the economic essence of cost accounting and product costing methods, the attention should be focused on the classification of “variable – fixed” costs [3, p. 246.].

It should also be noted that this method has both advantages and disadvantages. The use of “direct costing” allows to determine the relationship between different types of costs; to find the most beneficial correlation between the price and volume of production; to simplify regulation, planning, costs accounting and control; to analyze

changes in marginal income; to identify the impact of fixed costs on the amount of profit without profound analysis; to expand the analytical capabilities of accounting.

Despite the inherent benefits of “direct costing” system, its implementation and usage are associated with a number of problems, specifically: it is difficult to divide costs into fixed and variable ones; there is a lack of information about the full product cost; it is necessary to cover all the expenditures with the set price of the products.

It is inappropriate to use “direct costing” method while calculating the cost of alcohol at the alcohol production plants because the lion's share in the structure of costs is represented by fixed costs, which are not included in the cost of production due to this method.

“Standard costing” method is based on a previous determination of product cost or on the forecasting of the production estimated costs. Herewith, only this is accounted what should happen but not what has happened and correspondingly arising deviations are recorded.

In order to apply this method in practice, the rates of consumption of raw materials, labor, working hours, wages etc. should be clearly determined. In addition, these set rules couldn't be changed throughout the production cycle.

Advantages of the “standard costing” method are the following: it is possible to pre-determine the amount of anticipated costs of production and sales according to the set standards; to control and promptly reduce production overruns; to calculate the cost of production per unit in order to set price; to make a report on the expected production output and sales of a company [6, p. 4].

In contrast to this method, regulatory method was developed in the former Soviet Union in the early 1930s. According to it the actual prime cost is calculated by algebraic summation of standard cost and changes to regulations and deviations from regulations relating to a certain choice. However, changes to regulations and deviations from regulations are referred to a specific type of product due to the direct indicator or they are distributed in proportion to the standard costs if they cannot be referred directly to a specific type of product. According to the methodology, they are

distributed between finished and unfinished products in proportion to the standard costs or they are completely referred to the cost of the finished product.

According to the standard costing, the steps of manufacturing process should be clearly predefined. Otherwise, it could lead to the deviations of the actual production costs from the standard ones.

It should be noted that the regulatory method is not widely applied to the production activity control for a number of reasons:

- certain methodological principles of “standard cost” method have not been taken into account while developing the regulatory method. Foreign accounting system used to show the costs of material resources due to the reasonable regulations and compare them with the actual costs. However, in Ukraine, synthetic and analytical accounting shows costs primarily due to the actual data, and then, regulations are presented alongside with the actual data and deviations are shown in a separate graph [6, p. 6];

- instead of cost saving, thefts became common because of the lack of scientifically substantiated objective regulations.

As the process of making rectified ethyl alcohol consists of several stages, its cost can be calculated in steps.

At the first stage, the cost of a conventional deciliter of alcohol, covering the cost of all alcohol products having been obtained and the loss of alcohol during distillation, is calculated applying the regulatory method and “standard-cost” method. This parameter is necessary for conducting comparative analysis of production costs of various enterprises and carrying out overall calculations in this field, as a large number of plants produce only crude alcohol.

At the second stage, conventional alcohol is considered as the basis of the cost, and calculation method is applied to assess the actual cost of separate products received after wash rectification, that is: rectified alcohol of different kinds, fusel oil and aldehyde-ether fraction. Final product cost should be assessed by means of special calculation based on total expenses without standard calculations.

It should also be noted that non-regulatory and combined methods are also used along with the regulatory method.

Describing non-regulatory methods of product costing, V. P. Palchuk focuses on various ways of their possible applications: direct costing, a method of the exclusion of expenses, a method of expenses summarizing and cost allocation [4, p. 98]. In addition to the above mentioned methods of non-regulatory product costing, the ratio approach and cost allocation method can also be used (Fig. 2).

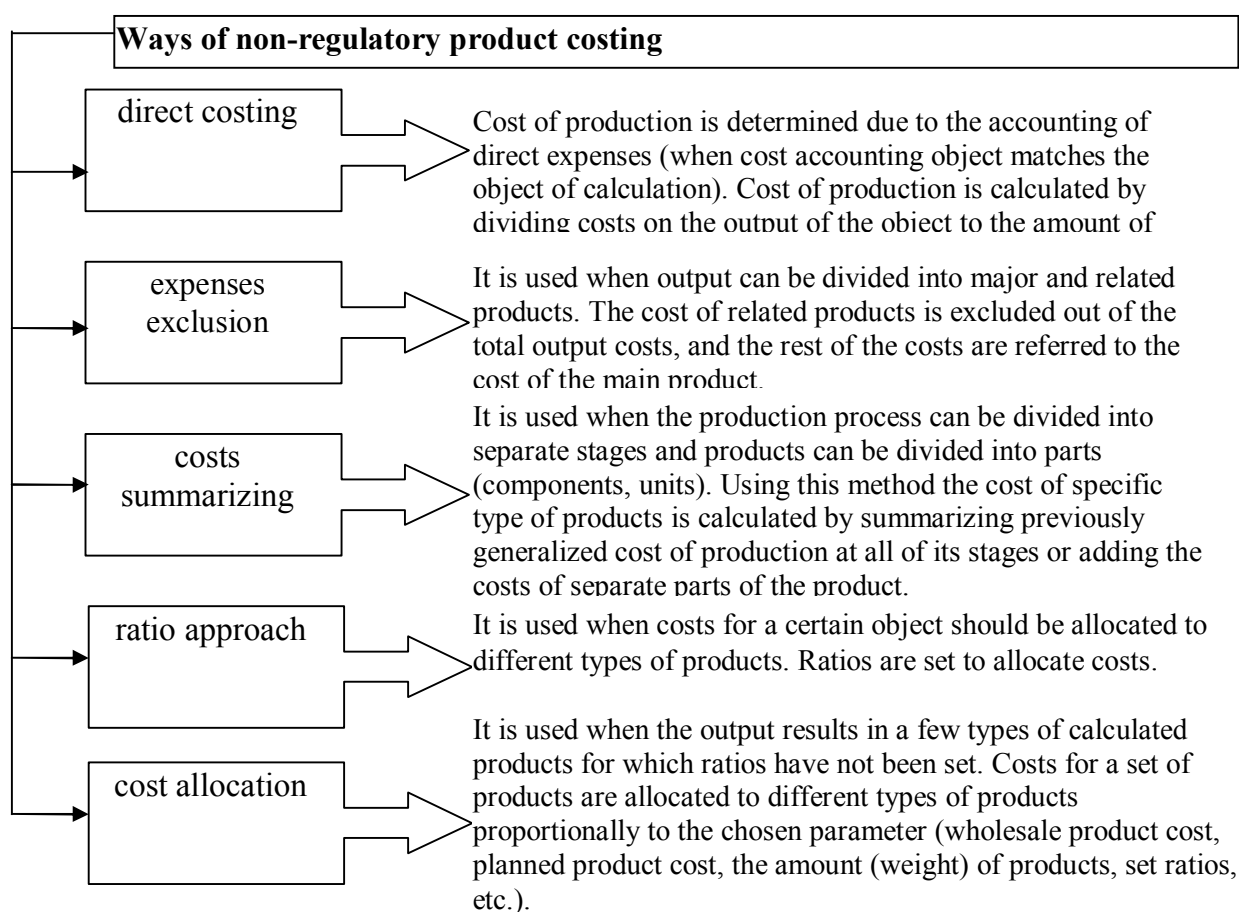


Fig. 2. Ways of non-regulatory product costing

Alcohol plants, that have not applied the regulatory method and a method of “standard-cost”, usually calculate the product cost, using direct costing.

However, to calculate production cost of a company in the researched field, both a method of expenses exclusion and a method of cost allocation to the interrelated types of products can be used along with the regulatory method. In other words, a combined method allows to use several methods of product costing at the alcohol

production plants. This is due to the fact that regulatory method cannot be used while calculating the product cost by means of cost allocation to various products.

The amount and cost of unfinished products is of great importance while calculating the production cost in the alcohol production industry.

Taking into consideration that according to the standard of accounting 9 “Reserves”, the order of determining the amount of unfinished products is not regulated, companies can choose independently an accounting policy according to this object of accounting. In particular, V. P. Palchuk offered to distinguish three possible ways of determining of the amount of unfinished products:

- according to the inventory data;
- according to the operational accounting of unfinished products in the shop floor;
- according to the accounting of production costs and the volume of production for a reporting period [4, p. 100].

Inventory is the most accurate way of determining the amount of unfinished products. When it is impossible or inappropriate to make it or in case of a lack of operational information that can show the flow of the residues of unfinished products, their amount is determined according to the accounting data.

All technological stages, at which raw materials and unfinished products of alcohol (semiproducts) are being processed should be taken into account while determining the amount of unfinished products at the alcohol production plants, that is: the amount of raw materials which are in production but have not been processed at the time of the inventory (yeast and fermentation stage) and the amount of detected alcohol, downloaded into wash rectification equipment.

To determine the amount of raw materials that are being processed at the time of the inventory, the serial number of a fermenter, where fermentation has to be completed in reporting month, should be noted by the inventory commission during 72 hours under the condition that fermentation takes 72 hours and during 48 hours if fermentation takes 48 hours.

Supply of raw materials for production should be regulated before the calculation of the residues of unfinished products in order to empty bunkers and other containers and all the boiled and sugared mass should be taken out and transferred to the fermentation department. Having made sure that there were no raw materials in bunkers and other containers, inventory commission has also to fix residues of the products (malt and yeast in their containers) that have not been processed by the time of the inventory and these residues have not to be included into accounting.

Unfinished production can be assessed in a variety of ways, depending on the duration of the production process. In companies with continuous production process with the same residues of the unfinished products it is permitted not to take into account these residues while calculating the product cost at the beginning and at the end of the month.

In companies with short production cycle and small volume of unfinished products, the amount of unfinished products is calculated only according to the standard cost of the main raw materials. All other production costs are included into the cost of finished products.

Determining the amount of unfinished products according to the actual weight of raw materials, each type of raw materials is converted into conventional starch, and the cost of these raw materials is reflected in the inventory balances of the raw residues and unfinished products. In case of referring provision and storage costs to a separate costing item, a separate row should be included into the inventory sheet where the total amount of unfinished products costs is shown.

Due to the fact that the raw shown in the inventory report is modified, its residues should be included into subaccount 231 “Primary production” according to the costing item “Unfinished production”.

Actual costs of the main raw materials in natural units and in terms of absolute starch (in natural and value measurements) are shown in the account, devoted to the usage of the main raw materials for the production. With a monthly inventory of unfinished production it is necessary to give account once a month and every ten days in case of ten-day inventory. Inventory reports on unfinished products show the main

information about accounting of the use of raw materials for production. In case of single malt production the costs of the main raw materials are shown in a separate costing item.

As unfinished production in the alcohol industry is estimated only according to the cost of the main raw materials, this indicator cannot be shown in consolidated balance sheets of production costs and product costing. Only regulatory and actual production costs, including the cost of finished products and the cost of deficiency can be shown in these balance sheets.

It is necessary to take into account deficiency or surpluses of unfinished products, detected during inventory while calculating the actual cost of production. The amount of deficiency (surpluses) of unfinished production is corrected due to the change of costs for product output.

It should be noted that the alcohol production plant can also recycle the alcohol of its own production previously used for washing railway tanks, barrels etc. The amount of anhydrous alcohol in deciliters is attributed to production due to its actual cost according to the costing item "Raw and main materials." Alcohol, received after recycling, is profited as finished product due to its cost. When calculating the output of this alcohol out of a ton of conventional starch in processed raw material, the obtained alcohol is automatically excluded out of a total amount of profited products, using specific ratio that depends on the amount of recycled alcohol.

Costs are accounted applying regulatory or "standard-cost" methods according to current production output standards by multiplying the set regulatory calculation rules due to each costing item per number of produced units.

Thus, as a change of unfinished production residues affects the cost of production, they should be shown in accounting records of synthetic accounts of all alcohol production plants.

Relevant products are emerging in the process of production alcohol. This is a peculiarity of the investigated companies. Therefore, the cost of alcohol related products is also should be taken into account in the alcohol industry in the process of product costing.

In the P (S)BO 16 it is noted that the production cost is reduced by the fair value of related products that are being sold and by the cost of related products according to the evaluation of their potential use by a company [5]. That is, if a company is going to sell related products, it has to assess previously their fair value. Evaluation of the cost of related products due to the fair value refers to the setting of selling price of similar finished products with the exclusion of costs for completion, selling and surcharges (profit). If a company uses related products in the production of another product, it will take into account the cost of related products usage while evaluating the latter. The lack of the common methodology for evaluating the cost of related products leads to the setting of different prices by different alcohol production plants for the same product.

As labor costs both overhead and administrative are not highlighted separately in the accounting, they should be allocated to the main products (alcohol) and relevant products (ether-aldehyde fraction, fusel oil) according to the budgeted factory rate set as for the permanent and variable costs. The content of nutrients in alcohol and related products should be taken into account while allocating the costs of raw materials.

The use of the common methodology for evaluating the cost of related products by alcohol production plants will lead to a significant increase of the products value. As the experience of foreign countries (USA, Hungary, Poland) shows, this increase is justified because the high prices of related products will lead to their efficient use, and the increase of the managers' interest in their reliable accounting and control. However, it will affect the reduction of the main product cost (alcohol) and influence positively on the performance of alcohol production plants. As alcohol plants almost don't carry out an internal accounting of related products, there is no information about them in the accounting records. Neither synthetic account nor sub-account of related products is included into the Chart of Accounts. Only synthetic sub-account 20.9 "Other materials" for accounting of production wastes is included into the Chart of Accounts. However, related products cannot be referred to the production wastes;

they can rather be referred to finished products. Thus, in order to provide conditions for ensuring proper accounting and control of related products it is necessary:

–to refer financial accounting of related products to a separate accounting subaccount 26.9 “Related products” which is included into account 26 “Finished products”. Income of related products from the production should be shown according to the debit accounting prices and disposal of these products – due to the selected method of stocks disposal evaluation according to the credit;

–to show related products in separate accounts, depending on the usage of these products, in management accounting. Thus, for accounting of related products which have to be used by a company for the production of other types of products, the account “Related products for company’s own use” should be used, and in case of their sale – “Related products for sale”. The need to distinguish between these accounts is due to the fact that relevant products are evaluated in different ways depending on what they are used for.

Actual product costing is based on the consolidated account of the production costs. It is used to control the implementation of the plan of the cost of commodity products as a whole and their different types separately. Content of the accounting sheet and its form are determined by the peculiarities of technology and organization of production as well as by the nature of products being produced.

After the most important types of material resources which had been used, were shown in the main section of the balance sheet of the planned and actual production output, it is necessary to provide information about unit costs, its price and cost (according to the plan and report); costs of the actual output (according to the planned cost and unit’s composition) and the actual cost of a unit in the previous year for comparison.

In addition, the companies which use the regulatory method of accounting should show the actual cost and costs according to the regulations and deviations from regulations as a result of their reconsideration and changes in the balance sheet.

It is important to ensure optimal frequency of costing in the alcohol industry. Costing is usually carried out monthly to identify costs of production. Frequency of

costing may vary in seasonally impacted companies. Thus, the implementation of the above mentioned proposal provides conditions for a clear allocation of costs to the main and related products and allows to see reliable data about planned and actual costs as well as deviations of actual cost from planned one during its generalization in the primary documents.

References:

1. Бутинець Ф.Ф. Бухгалтерський управлінський облік : підруч. для студентів спеціальності «Облік і аудит» вищих навчальних закладів / Ф.Ф. Бутинець, Т.В. Давидюк, З.Ф. Канурна, Н.М. Малюга, Л.В. Чижевська ; за ред. проф. Ф.Ф. Бутиця. – 3-тє вид., доп. і перероб. – Житомир : ПП «Рута», 2005. – 480 с.
2. Манн Р.Н. Контроллинг для начинающих. Пер. с нем. - М.: Финансы и статистика Р. Н. Манн, З.Майер, 1992. – 208 с.
3. Осадча Г.Г. Калькулювання собівартості в системі «директ-костинг» та в системі повного розподілу витрат на виробі «абсорпшен-костинг» / Осадча Г.Г., Степанюк А.В. // Науковий вісник Ужгородського університету. - Серія «Економіка». – 2015. – Випуск 1 (45). – Т.1. – С. 246-249.
4. Пальчук В. П. Учет и калькулирование себестоимости продукции бродильных производств / В. П. Пальчук. – Москва : «Пищевая промышленность», 1980. – 128 с.
5. Положення (стандарт) бухгалтерського обліку 16 «Витрати» : [Електронний ресурс]. – // Режим доступу : <http://buhgalter911.com>.
6. Сльозко Т. Методи обліку витрат «Стандарт-кост» і нормативний: історія і сучасність / Т. Сльозко // Бухгалтерський облік і аудит. – 2007. – № 7. – С. 3–8.

2.6. DOCUMENTING AND ACCOUNTING THE TRANSACTIONS BY CONSTRUCTION STAGES AND METHODS OF MAKING MONETARY PAYMENTS

Each particular sector of national economy is problematic in its own way and requires special approaches at both the legislative level and in terms of each specific company. Thus, national economy should be reformed primarily at the sectoral levels. Housing is not an exception; in addition, this subsector requires strict control over the use of funds and the ways of making payments between counterparties.

On the basis of these peculiarities of housing, Article 4 of the Law of Ukraine On Investment Activity proclaims: “Investing and financing of the housing construction using private funds (that can be involved in management) raised from individuals and legal entities, are carried out only through the construction financing funds (CFF), real estate funds (REF), collective investment institutions (CII) and corporate bonds issues. Obligations on these bonds are fulfilled through transferring the housing facility (or a part of it)” [4]. This legal framework allows construction companies and individual customers to choose their own method of payment, either direct or through the financial intermediaries (a commercial bank or investment fund). This also influences the quality of documenting the transactions.

Monetary and payment transactions require both accounting and legal documents. In order to begin the erection of any construction facility, a company must obtain such legal documents as construction permits and a license for construction. To get these documents a company must submit an application to the State Architectural and Construction Inspectorate, State Financial Inspection and other state regulatory bodies that monitor the safety of construction and installation works. In addition, the construction company is obliged to open a current account or investment bank account in order to receive investment funds and carry out monetary and payment transactions. It is necessary to submit a list of documents for opening an account and fill in some of them in the bank. Once all the statutory documents are registered, the property developer has the right to sign agreements with other counterparties on construction of housing. The economist P. Krychun identifies three

stages of construction: preparation for construction; the actual construction; and sale of construction work [2, p. 23].

Taking into account the scientist's opinion, we think that there are four stages of construction: 1) design and contractual stage; 2) site preparation stage; 3) main construction stage; 4) substantial completion of the building construction stage. Each of these stages requires the relevant primary documents and accounts transferring.

Design and contractual stage. This stage involves project development and signing agreements with customers, contractors and subcontractors. The amount of potential costs is estimated in monetary terms for the purpose of making future payment for building materials, payment of employees' salaries and rent. Payment schedules are based on the estimates and should correspond to the schedule of the amount of the work performed. The terms of making payments according to these schedules are specified by the contract between the customer and the contractor, in particular: the amount of payment and payment period.

Site preparation stage. At this stage, the initial work on the site is commenced, including cleaning of the area, transporting the building materials and installing construction equipment. Primary documents in-use pertain to the cleaning of the construction site area, transportation of building materials and installation of construction machines and mechanisms.

Main construction stage involves construction of the so-called "egg-box", the house foundation. At this stage of construction primary documents are used, including accounting records, interim reports on the amount of funds used to pay for building materials, frames, construction machinery and mechanisms renting, construction company employees' work.

Substantial completion of the building construction stage. This stage consists of two steps: 1) finishing construction i.e. work inside the building; 2) substantial completion of the residential building i.e. evaluation of the finished project by the inspection board, elimination of any identified problems and drafting of the Final Act of the acceptance and transfer of the residential building (Figure 1).

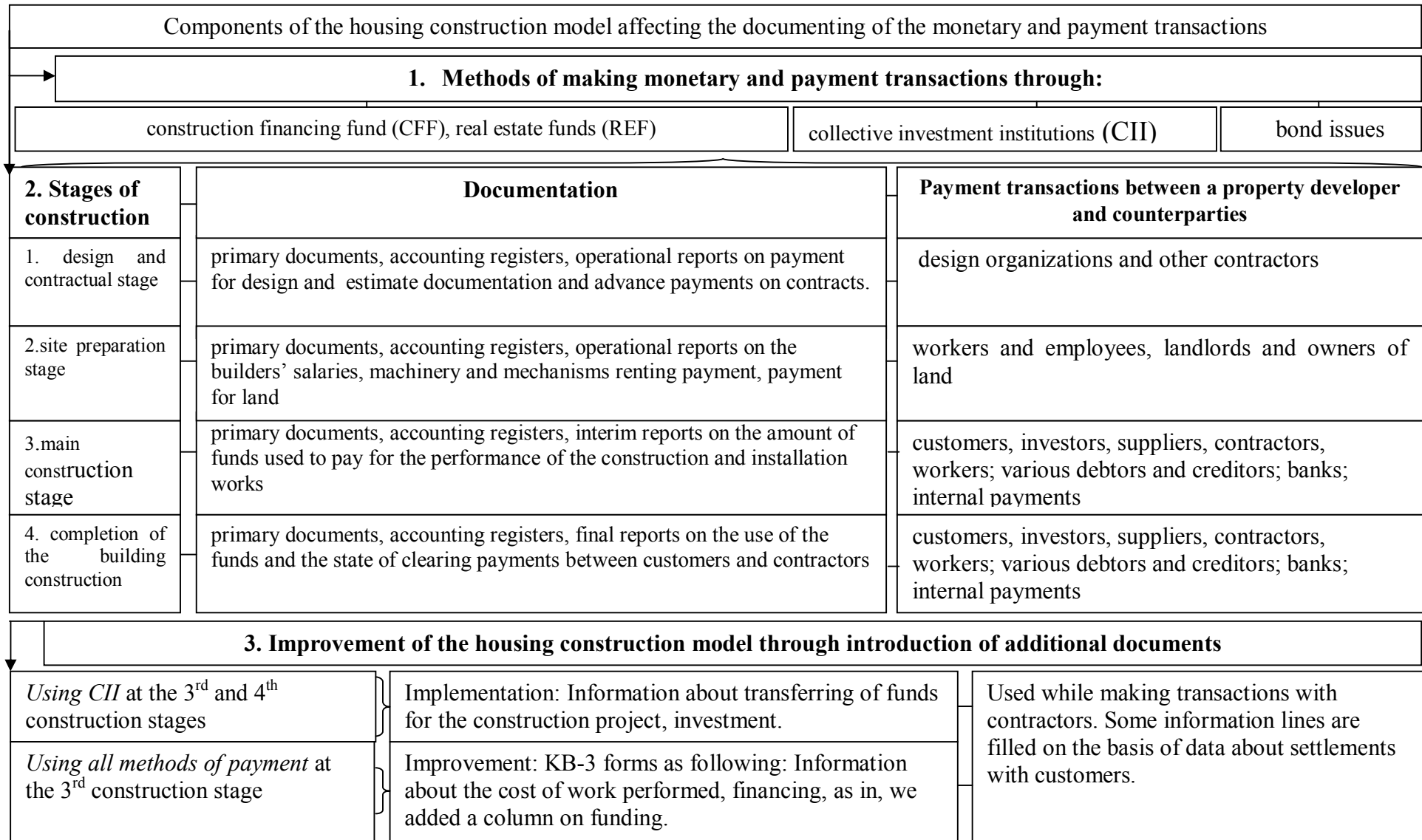


Fig. 1. Modeling of Accounting for Monetary and Payment Transactions in the Housing Construction

As aforementioned, in order to start the construction of a residential building it is necessary to select a method of payment that can be eventually used at each stage of the monetary and payment transactions.

The attention should be focused on the construction financing fund (CFF) and collective investment institutions (CII), which are the most often used in construction (Table. 1).

Table 1

Comparison of payment transactions through the construction financing fund (CFF) and collective investment institutions (CII)

Features	Making payments through:	
	construction financing fund (CFF)	collective investment institutions (CII)
Participants	1) Shareholders (individual customers) 2) Venture capital mutual fund, managing monetary funds; 3) Real estate developer	1) Grantors (individual customers); 2) Manager (bank, financial institution, managing monetary funds); 3) Real estate developer
Accounting types	Accounting for construction company Accounting for venture capital mutual fund	Accounting for construction company Accounting for commercial banks
Legislative basis	The Law of Ukraine On Collective Investment Institutions (Mutual and Corporate Investment Funds [5].	Regulations for construction financing fund of type A [3]
Documents	Agreement or memorandum on cooperation and service; A letter of guarantee for apartments; Agreement on share participation in financing of the investment construction facility; Copies of permit documentation for construction of the investment project; Agreement on booking the apartment; Contract of guarantee; Written order of the Real estate developer; Payment documents; Act of delivery-acceptance of the construction project Purchase and sale agreement on the invested apartment	CFF Agreement; Agreement on construction Certificate of participation in CFF Schedule of funds transferring into CFF Information on construction financing fund transactions Payment documents Accumulation cost report (KB-3) Act of acceptance of construction work (KB-2v) and other documents

According to these two methods, accounting is carried out both by the financial intermediary and the real estate developer. These methods are regulated by the Law

of Ukraine On Financial and Credit Mechanisms and Management of Property in Housing Construction and Real Estate Transactions [6].

While comparing these two methods of accounting in Ukrainian practice, it should be noted that a financial intermediary, making payments through CFF, acts as “an outside legal entity” (e.g. a bank). However, when making payments through CII, a financial intermediary often acts as “an internal entity” of the construction company. Due to this fact, funds of the investors could be better protected by an “outside entity” rather than by an “internal entity”. However, this assertion is also be doubtful, as banks in Ukraine are unstable. That’s why, it’s rather risky to use them as financial intermediaries and keep financial assets there.

The main advantage of carrying out monetary and payment transactions through the CII it is at the main construction stage that a payment schedule under the contract of apartment booking (reservation) and a schedule of the investor’s payment to the real estate developer are formed.

1. A payment schedule under the contract of apartment booking (reservation) is made by the real estate developer and the venture capital mutual fund acting as one party and the shareholders acting as the other.

2. A schedule of the investor’s payment to the real estate developer is prescribed in the Procedure for Funding Approval Protocol, providing the parties to the contract are a real estate developer, a venture capital mutual fund and an investor. This schedule is used when an investor provides funding for the investment project.

These schedules are effective as they allow shareholders to make partial payments within specified periods instead of paying a full amount of money at once. In addition, these schedules can cause the real estate developer to increase control over the construction process.

Carrying out monetary and payment transactions through the CFF some Ukrainian banks (for example *Ukreximbank*) use the Information on Construction Financing Funds Transactions, as there is a risk of non-transferring of all the funds to the construction company. In this case, control funding formula is used:

$$- \sum \Gamma K \delta = \sum \Gamma K \phi \phi \delta - K_{3.n} - K_{\partial.n} - 10\% \sum \Gamma K \phi \phi \delta, (f. 1)$$

where $\sum \Gamma K \delta$ – the total volume of funds transferred to the construction (UAH); $\sum \Gamma K \phi \delta$ – the total volume of the funds attracted to the CFF (UAH); $K_{3.n}$ – the commission received from the real estate developer since the beginning of the current year (UAH); $K_{\partial.n}$ – the commission received from the grantors since the beginning of the current year (UAH); $10\% \sum \Gamma K \phi \delta$ – 10% of the total volume of the funds attracted to the CFF (UAH).

The last indicator is the so-called reserve fund. Despite a number of disadvantages of this accounting method, it is also beneficial as the financial intermediaries can create a reserve fund.

We consider that this method can be applied by banks as well as other financial intermediaries and real estate developers. Therefore, we propose to introduce a new account to the Chart of Accounts of assets, capital, business operations of companies and organizations.

It could be a subaccount “Guarantee funds” and may be recorded by Ukrainian companies under the designation “337”. It could contain the following analytical accounts: “Equity funds of legal entities” (3371); “Budget funds” (3372); “Loans and other borrowed funds” (3373); “Funds of individuals” (3374); “Funds of foreign investors” (3375); “Other funds for construction financing” (3376).

While using the subaccount 337 “Guarantee funds” the following correspondence can be used:

✓ DR 337 «Guarantee funds» CR 31 «Bank accounts» while creating guarantee monetary funds;

✓ DR 31 «Bank accounts» CR 337 «Guarantee funds» while using the funds.

In reporting, data from this account could be shown in a row 1168 “Guarantee funds” of the Statement of Cash Flows (Form 3). This row would be optional and used by a company if needed. Therefore, a row 1168 «Guarantee funds» should be included in the legislative framework, namely the Annex 3 of the National Accounting Standards 1 “General requirements for financial reporting”.

Despite the elaborate system of documenting monetary and payment transactions using these methods of payment, there are certain disadvantages of CFF and CII. Among them are the following:

- a large amount of monetary and payment documents and dual contracts can cause disordered flow of documents and difficulties in control over the entire volume of attracted funds;
- at the state level there is no standard form of a document that would display the use and transfer of funds of the grantors at the construction stages (excepting payment orders);
- on the one hand, a financial intermediary increases control over the construction process and, on the other hand, complicates carrying out accounting of funds and payments; due to this, a construction company cannot always use the funds efficiently in case of an urgent need. This may cause delay in construction and installation works.
- making payments through the CFF, a bank is entitled to terminate the Contract for the construction with the real estate developer if the construction company did not deliver the project within the specified period. A bank can do it even if the construction and installation works have been completed up to 80%. According to L. I. Danchak, the disadvantage of the CFF and real estate funds is that real estate developers become dependent on the conditions set by the banks for their services [1, p. 490].

Despite the disadvantages of documenting monetary and payment transactions through the CFF and CII, there are certain advantages that protect the rights of shareholders and grantors (individual customers) and give them guarantees for increased control over the rational use of funds transferred for construction.

The choice of accounting method affects the scheme of documenting monetary and payment transactions between the real estate developer and the customer (shareholder, grantor, investor) through the financial intermediaries. Transferring of funds by the customer in full amount and within the specified period (according to

contracts and schedules) allows construction companies to make payments to other contractors of the construction (suppliers and other debtors and creditors).

Thus, modeling the documenting process involves facts of economic life, which should be shown in the certain appropriate documents that are developed at certain stages and during each period of construction and depend on the methods of payment.

We suggest improving this model, introducing new documents and improving available ones (as shown in Figure 1), namely:

- ✓ while making payments through CII to use A Notice of Fund Transferring to construction or investment project;
- ✓ to improve Accumulation cost report (KB-3), adding three new chapters to it:
1. Total cost of construction works on site; II. Total amount of funds; III. Excess of received funds over the amount of construction and installation works.

Following these proposals while conducting the activity of construction companies can lead to significant increase in efficiency of the inspection of funds and payments accounting.

Thus, as there are high risks of unfinished housing for construction companies, it is necessary to improve the documentary basis while carrying out monetary and payment transactions through collective investment institutions and construction financing funds in order to eliminate the possibility for embezzling or misappropriation of funds.

References:

1. Данчак Л. І. Організаційно-економічні методи фінансування формування житлового фонду / Л. І. Данчак // Видавництво Львівської політехніки. – № 714. – 2011. – С. 486 – 491.
2. Кричун П. Незавершене виробництво у будівництві : поняття та ознаки терміна / П. Кричун // Бухгалтерський облік і аудит. – 2008. – № 10. – С. 23 – 29.

3. Правила фонду фінансування будівництва виду А. – [Електронний ресурс].
– Режим доступу: / http://www.svdevelopment.com/ru/info_guide/zakukr/other/20/118/
4. Про інвестиційну діяльність / Закон України від 18.09.1991 р. № 1560-ХІІ.
– Редакція від 15.04.2014 р. [Електронний ресурс]. – Режим доступу :
<http://zakon2.rada.gov.ua/laws/show/1560-12>
5. Про інститути спільного інвестування (пайові та корпоративні інвестиційні фонди) / Закон України від 15.03.2001 р. № 2299-ІІІ. – Редакція від 10.11.2015 р. [Електронний ресурс]. – Режим доступу :
<http://zakon3.rada.gov.ua/laws/show/5080-17>
6. Про фінансово-кредитні механізми і управління майном при будівництві житла та операціях з нерухомістю / Закон України від 19.06.2003 р. № 978-ІV. – Редакція від 04.07.2013 р. [Електронний ресурс]. – Режим доступу :
<http://zakon4.rada.gov.ua/laws/show/978-15>

2.7. IMPROVING METHODS OF ACCOUNTING COSTS OF MAINTENANCE AND OPERATION OF CONSTRUCTION EQUIPMENT

Adaptation of construction companies to the growing needs of consumers, high competition in the field on the price of the end product lead to demand for accurate and reliable information on all the expenses for the purpose of their optimization. Accounting provides such information.

According to E.V. Zubareva, “Market economy requires new approaches to operational accounting and monitoring construction companies. Effective management of the organization activities is impossible without rational use of resources. Operational accounting and control system is an integral part and a kind of drive for the management system of an economic entity. Its efficiency depends on the degree of integration into existing management systems” [3, p. 202].

Grouping costs in accounting of construction industry is conducted in terms of construction contracts and carried out according to Regulation (Standard) 16 “Expenses”. The Regulation (Standard) 18 “Construction Contracts” determines the composition of the cost of a construction contract, which is classified as:

- costs directly related to the execution of this contract (direct);
- general production costs are allocated between construction projects (depending on the specific work performed) in proportion to the direct costs, revenues, direct labor costs, construction period, machines and mechanisms, etc. [11].

Not included in the costs of a construction contract and recorded as an expense in the period in which they were made: administrative costs; sales costs; other operating costs; maintenance costs (depreciation, security, etc.) of unused construction vehicles, machinery and other fixed assets that are not used on a construction contract.

As practice of construction organizations shows, cost accounting is carried out by a project in the context of the relevant items mentioned in Table 1.

Table 1 shows that almost all organizations distinguish the costs of maintenance and operation of construction machinery, however, this item belong to the indirect costs.

L. Moroz noted that division of costs into direct and indirect essentially depends on the specialization of production, characteristics of production processes, methods of valuation and accounting, and the state information technology. Often direct costs are essentially attributed to the indirect ones, because of a lack of their regulation and differentiated accounting [7, p. 214].

Z.-M. V. Zadorozhnyy, E.K. Kovalchuk, V.M. Panasiuk [2, pp.175–178], Y. D. Krupka, R.O. Melnyk [5] include the costs of maintenance and operation of construction machinery to the general production ones, i.e. indirect costs and suggest using the subaccount 911 «The cost of maintenance and operation of construction machinery».

D. Y. Lialin, V.A. Kisyeliov [6, p. 130], O. V. Pavelko [10, p. 59] consider such costs a separate item of the cost estimate of construction works and don't use them as a part general production expenses.

Issues of accounting costs related to maintenance and operation of construction machinery are considered one of the most important ones in the economic system of construction companies, because their solution is aimed mainly at improving the efficiency and quality of construction enterprises. However, if the common problems of cost accounting are mostly solved, the methodology of cost accounting for maintenance and operation of construction machinery stays out of the scientific focus. As a result, the investigated enterprises record such costs differently, while costs associated with leased equipment are not taken into account at all, although the account of lease payments would reflect a more accurate amount of such costs and at the same time, the cost of construction projects [8, p. 145].

Table 1

The structure expenditure items of construction works production costs of Ltd. «Dobrobud», SCM “Spetsbud” Ltd. “Ternopilbud”, Ltd. «Ternobud-mechanization», PJSC Design and Construction Association “Lvivmiskbud”, Additional Liability Company Construction and Assembly Firm “Ivano-Frankivskbud”

Expense item	Ltd. «Dobrobud»	SCM “Spetsbud” Ltd. “Ternopilbud”	ALC Construction and Assembly firm “Ivano- Frankivskbud”	PJSC Design and Construction Association “Lvivmiskbud”	Ltd. «Ternobud- mechanization» (the implementation of construction works)
Direct costs					
Material costs	+	+	+	+	+
Labor costs	+	+	+	+	+
Accruals for wages	+	+	+	+	+
Write-off of low value items	–	+	–	–	–
General contracting services	–	+	–	–	–
Subcontract services	–	+	+	–	–
Security of the facility	–	+	–	–	–
Indirect costs					
Operating machines and mechanisms	+	+ (partly a part of both direct and indirect)	+	–	–
General production costs	+	+	+	+	+
Water supply	–	+	+	–	–
Electricity	–	+	+	–	–

The economic ambiguity associated with the costs of maintenance and operation of construction machinery is also derived from inconsistencies in the regulatory and legal framework. Since the Regulation (Standard) 16 «Expenses» is a document of the highest standard level compared to the Methodological Guidelines No573, practicing accountants, mostly, primarily take into account its provisions for cost accounting. Therefore, most construction companies include such costs to general production, either setting them as a separate calculation item in the corresponding cost structure of work performed using the construction equipment, or not, because determining the range of calculation items is considered the main prerogative of a construction company.

This method of cost accounting for maintenance and operation of construction machinery has several disadvantages. All costs associated with the operation and maintenance are included in the general production costs and allocated according to the chosen distribution base. Usually, the allocation base is either direct material costs or direct labor costs. We believe that this division does not reflect the actual amounts of expenditure on maintenance and operation of construction machinery for each calculation object. Properly organized accounting of costs of maintenance and operation of construction machinery is possible in the right conditions and with detailed listing of objects for the accounting of such costs. This also strengthens its control and analytical functions. We believe that the objects of cost accounting for maintenance and operation of construction machinery should be classified as:

- costs directly related to the operation of construction machinery (direct);
- costs associated with maintenance of construction machinery (indirect, should be allocated).

It is important to establish a list of calculation items of maintenance and operation of construction equipment costs. Given the impact of certain organizational and technological features of building on the existing practices of construction companies, we recommend the following nomenclature of the maintenance and operation of construction equipment costs (Fig. 1).

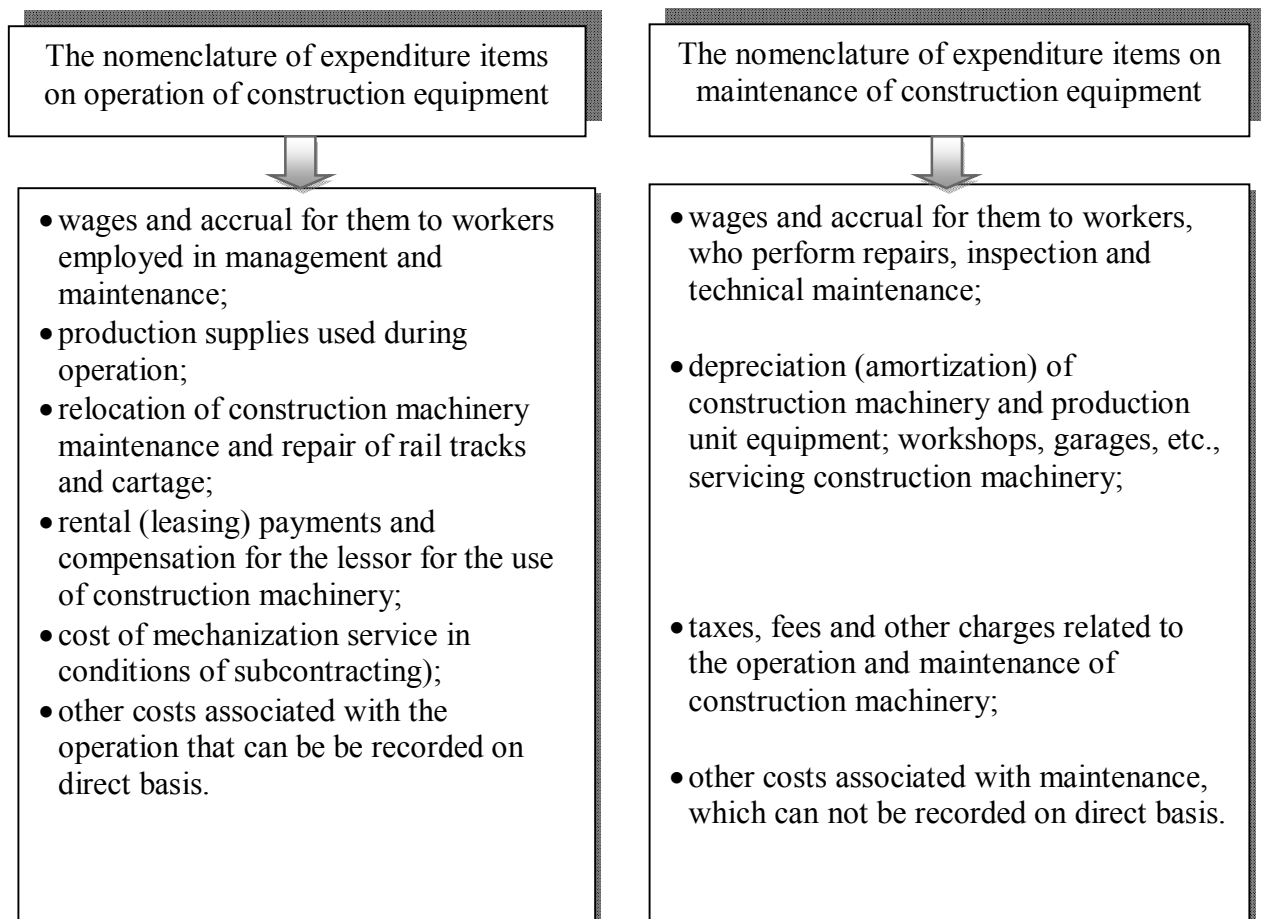


Fig. 1. The nomenclature of expenditure items on operation and maintenance of construction equipment

For construction companies, an important aspect in accounting is allocation of the maintenance of construction machinery costs. The need for their allocation arose due to the necessity of calculating the total cost per unit of output of the construction industry. Neglecting indirect costs in the calculation of total cost leads to a significant decrease in sales prices. Because of this, the construction company is unable to reimburse all costs, and to achieve a sufficient level of profitability to function properly in the event that this situation continues for a long period of time.

Attribution of a certain amount of indirect costs to the production costs is due to the basic requirements for financial reporting. Such reports should indicate the cost of production in the construction industry, if provided allocation of all costs for the calculation of financial results. The main objectives of allocation of indirect costs are shown in Table 2.

Table 2

The objectives of indirect costs allocation of the construction companies

No	The main objective groups	The main reasons for division
1	Determination of financial results	External users interested in receiving information on the full cost, which, in addition to direct costs, is partially composed of indirect ones, as a result of the process of construction activity.
2	To promote improvement of the efficiency of construction company activities	Correct distribution affects the financial results of certain products, and thus the stimulation of production of the more profitable ones.
3	The adoption of economically justified decisions at all levels of enterprise management	Results of indirect costs distribution have a positive impact on the decision-making on optimization of the assortment, purchases of new and rational use of available equipment; on distribution of capital between enterprise segments and types of construction output.
4	Monitoring the reimbursement of all costs the enterprise spent	Write-off of a portion of indirect costs on the cost of production requires the manager to better control costs and to reduce their compensation in full.

In management accounting significant attention is devoted to allocation of general production costs, including the cost of maintenance of construction machinery. It should be noted that foreign companies mostly use such methods of allocation of indirect costs, as incremental and with the use of estimated rates.

Via the first method, the allocation of indirect costs is subject to these stages:

1st stage – allocation of general production costs in all shops of the enterprise, including auxiliary, using allocation database for small item groups;

2nd stage – re-allocation of indirect costs from all the auxiliary shops to the main shops;

3rd stage – allocation of general production costs incurred by the main shops by type of products.

T.P. Karpova, in addition to the abovementioned stages also distinguishes the stage of calculating the allocation rates for overhead expenses specifically for each production unit [4, p. 129]. The other method of indirect cost allocation uses estimate rates. According to S. Stukov, the process of establishing them has the same stages as the first method [12, p. 158].

German scientists discovered the disadvantages of the first method of indirect costs allocation. They questioned the assertion of K. Mellerovych that this method was one that had only advantages in comparison with the other methods [12, pp. 57–58]. S. Stukov believes that even if indirect costs were not allocated at all, the absolute precision and absolute validity in the cost allocation would be simply impossible to achieve, excepting, perhaps, some cases in which the costs of management and maintenance of the production process pertained to the same type of product, and therefore were considered direct [12, p. 156].

A. Bashirov [1] A. Narinskyy [9] and other economists investigated the possibility of attributing direct overhead costs to individual construction projects in the 1970-80's. According to A. Bashirov, it is necessary to examine the possibility of using the accounts (which record overhead costs) as transit to display the direct management costs [1, pp. 69–70].

The accounting of maintenance and operation of construction equipment costd was thoroughly investigated by V. Babich, A. Bashirov, M. Volkov, M. Diachkov, M. Kramarovskyy, B. Lytvyn, O. Narynskyy and M. Pushkar. Many scientific papers on the problems of accounting the cost of maintenance and operation of construction equipment belongs to Z. Zadorozhnyy, Y. Krupka. However, the scientists did not have proposals for separation of costs for operation and maintenance costs.

Given the above-mentioned data and the existing legal and regulatory framework, we identify three main options for accounting the cost of maintenance and operation of construction equipment:

- 1) within account 91 «General Production Costs»;
- 2) within account 91, creating a separate sub-account «Costs of Maintenance and Operation of Construction Machines and Mechanisms»;
- 3) Simultaneous use of sub-account to account 23 «Expenditures on Operation of Construction Machines and Mechanisms” and subaccount 911 “Maintenance Costs of Construction Machines and Mechanisms». This method of accounting these costs does not contradict the norms of legislation and allows accumulating the amount of operating costs on construction machines and mechanisms during the reporting

period, in accordance with the type of construction machinery use in the sphere of construction. At the end of the period, after allocation between construction projects based on calculation of the value-hours set out in ISO, the costs will be debited to the account 23 «Implementation of Construction Works» and form the production cost of a specific construction project.

However, when the machines were used at a construction site during the entire reporting period, there is no need for such allocation and all costs are directly attributed to the cost of construction on the basis of primary documents. In other cases, there is an objective need for allocation of the expenses. The costs of maintenance of construction machines and mechanisms are allocated to construction sites proportionately to the allocation base, which the construction company chooses independently. This cost allocation base is directly dependent on the characteristics of operations and should be found in the «Order of the Accounting Policy of Building Enterprise». It should be borne in mind that not all the costs of using construction machines and mechanisms should be allocated and included in production cost of construction projects. These expenses, according to paragraph 15 of Regulation (Standard) 18, include maintenance costs (depreciation, security and so on), idle construction machinery, and other fixed assets that are not used during the execution of a construction contract. In paragraph 20 of IFRS 11 similar costs are limited to depreciation of idle equipment. №573 Guidelines state that they are not provided in the cost of construction works and are considered period costs.

Given the aforementioned, these generalizations are important:

1. Due to the current legislation the cost of maintenance and operation of construction machinery are considered general production costs and should be allocated according to the chosen base. However, we believe that it is necessary to separate the costs of operation and maintenance costs. Costs of operating construction machinery should be recorded in the prescribed subaccount «The Costs Associated with the Operation of Construction Equipment» of account 23 «Production» with further detailed elaboration on the accounts of the third and higher orders in the context of construction projects. Maintenance costs of construction machinery we

recommend to display in subaccount 911 «Costs Associated with Maintenance of Construction Equipment» of account 91 «General Production Costs», which would correspond to its name and method of accounting that involves attributing them to indirect costs, with mandatory allocation according to the chosen base.

2. In spite of everything, whatever method (way) to allocate indirect costs we use, the accuracy and fairness in the allocation is impossible to achieve. The only exceptions are when all the costs related to maintenance of production and management pertain to the project, that is, may be classified as direct. However, for the most part, construction machines and mechanisms in the construction industry are used at several construction sites simultaneously.

3. Costs should be recorded promptly, because a functioning market normally dictates its own prices, without taking into account whether the accountant allocates overhead costs for the building production projects or not. Products, works, or services are predominantly sold before the calculation of the actual cost, so we need only compare the market price with the planned price of the construction firm.

4. Effective and correct reflection of costs in the consolidated accounting system is a time-consuming process. Decrease in labor input depends primarily on the improvement of information accounting functions through automation of accounting processes.

Therefore, measures towards improving the method of accounting of costs for maintenance and operation of construction machinery allow for greater validity, accuracy and clarity of this method. They also allow for a better and more detailed reflection of its principles in the «Order of Accounting Policies» and creation of appropriate conditions for the organization of the accounting process and decision-making in the segment of costs related to building machinery.

References:

1. Баширов А. А. Бухгалтерский учет в подрядном строительстве : [практ. руководство] / А. А. Баширов – М. : Финансы и статистика, 1983. – 255 с.
2. Задорожний З. В. Облік в галузях економіки : [підруч.] / З. В. Задорожний, Є. К. Ковальчук, В. М. Панасюк. – К. : «Хай-Тек Прес», 2011. – 360 с.
3. Зубарева Е. В. Концептуальные подходы к организации оперативного учета и контроля в системе управления строительной организацией / Е. В. Зубарева // Экономические науки. – 2009. – № 2 (51). – С. 202–205.
4. Карпова Т. П. Управленческий учет : [учебник для вузов]. – М. : Аудит, ЮНИТИ, 1998. – 350 с.
5. Крупка Я. Д. Облік у будівництві : [підруч.] / Я. Д. Крупка, З. В. Задорожний, Р. О. Мельник. – К. : Знання, 2008. – 631 с.
6. Лялин Д. Е. Себестоимость и сметные нормы в строительстве / Д. Е. Лялин, В. А. Киселев. – М. : Стройиздат, 1988. – 208 с.
7. Мороз Л. І. Теоретичні та прикладні аспекти управління прямими матеріальними і трудовими витратами підприємств / Л. І. Мороз. // Вісник Нац. ун-ту «Львівська політехніка». Проблеми економіки та управління. – 2011. – № 698. – С. 212–218.
8. Мужевич Н. В. Удосконалення структури статті калькуляції «Витрати на утримання та експлуатацію будівельних машин та механізмів / Н. В. Мужевич // Стан і перспективи розвитку обліково-інформаційної системи в Україні : матеріали II Міжнар. наук.-практ. конф., (м. Тернопіль, 29–30 листоп. 2012 р.). – С. 143–145
9. Наринский А. С. Калькулирование себестоимости продукции в строительстве : [учебник] / А. С. Наринский. – М. : Финансы и статистика, 1988. – 191 с.
10. Павелко О. В. Доходи і витрати основної діяльності будівельних підприємств у системі обліку та контролю : [монографія]. – Рівне : НУВГП, 2012. – 236 с.

11. Положення (стандарт) бухгалтерського обліку 18 «Будівельні контракти» – Положення, Наказ Міністерства фінансів України від 28.04.2001 р. № 205. [Електронний ресурс] / Офіційний веб-сайт Верховної Ради України. – Режим доступу : <http://zakon1.rada.gov.ua/laws/show/z0027-00>.

12. Стуков С. А. Система производственного учета и контроля. – М. : Финансы и статистика, 1988. – 223 с.

2.8. ACCOUNTING POLICY REGARDING COSTS OF THE CONSTRUCTION COMPANY

In modern conditions of managing each enterprise, the owners of which are interested in its effective functioning, should organize the proper accounting system. One of the main components of such an organization is the development and approval of accounting policies. Skillfully formed accounting policy is an important element of effective management of the enterprise and further implementation of effective activities. The foregoing justifies the need to study the main provisions of accounting policy formation in part of the costs of construction organizations.

K.A. Yahmur [14; 15], V.Y. Zvenyachkina [3], M.E. Skrypnyk [13] focus on the issue of costs accounting. The first scientist considered the organization of costs accounting by responsibility centers in construction companies, study of the structure and content of accounting policy in respect of the costs of production of construction products; V.Y. Zvenyachkina examined the organization of costs accounting of the main activities of industrial enterprises; M.E. Skrypnyk analyzed the organization of costs accounting in the context of costs centers and responsibility centers at the enterprise. Integral part of accounting of the costs of the enterprise is the formation and approval of its accounting policies.

However, the policy also determines the ways of organizing and conducting accounting of the enterprise taking into account the specific conditions of its activities. According to the article 8 of the Law of Ukraine «About accounting and financial reporting in Ukraine» [2] formation of accounting policy is the responsibility of the owner or authorized body (official) who manages the company in accordance with the constituent documents. The order on the accounting policy is approved by management and the company has to apply approved areas of accounting policy continuously, i.e. to ensure the implementation of the principle of consistency. The list of the basic rules of national accounting standards on accounting policies is given in table 1.

Table 1

Regulation of accounting policy in provisions (standards) of financial statements

№	Number and name Provision (Standard)	Point P(S)	The norm that regulated
1	1»General requirements for financial statements»[5]	3	The definition of accounting policies
		23	The content of accounting policies
		25	Disclosure of accounting policies
2	6 «Correction of errors and changes in the financial statements»[6]	9,10, 13,14	Changes in accounting policies
		11	Scope of accounting policies
		22	Disclosure of accounting policy in case of any changes
3	7 «Fixed assets» [7]	26,28	The method of depreciation of fixed assets
		14,15	The order of reflection of the costs associated with the repair of fixed assets
		27	Methods of depreciation of other tangible assets
4	8 «Intangible assets» [8]	7,8,9	Recognition of expenses
		27	The method of amortization of intangible Assets
5	9 «Inventories, Stocks» [9]	9	The order of reflection of transportation and procurement costs. Distribution
6	16 «Costs» [10]	11	Regulation of list of articles and composition calculation of production costs
		16	Regulation of the list and composition of variable and fixed overheads costs
		16	Base distribution of variable and fixed overhead costs
		App	The method of allocation of overhead costs
7	18 «Construction contracts» [11]	4	Methods of determining the level of completion under the construction contract
		14	Base for allocation of overhead costs
		15	The procedure of recognition of the administrative costs as costs of construction contract
8	31 «Financial expenses» [16]	4,5	Option for cancellation or capitalization of financial expenses

As there are a lot of regulations for independent choice the accountant or the person who develops accounting policy should take responsibility for the job. Drafting clear, understandable and legally grounded accounting policy is a prerequisite for effective accounting in the enterprise, providing useful information and relevant recommendations to the managerial staff for decision-making and also profitable existence of a business entity. The term «accounting policies» is defined in the Law of Ukraine «About accounting and financial reporting in Ukraine» and the National Regulations (Standards) of accounting 1 «General requirements to financial reporting» [5] as a set of principles, methods and procedures that are used by the

company for preparation and presentation of financial statements. In particular, P. Zhytnyi [1] identifies the complete list of stages which is adopted as a basis for the development of accounting policy at the enterprise (Fig. 1).

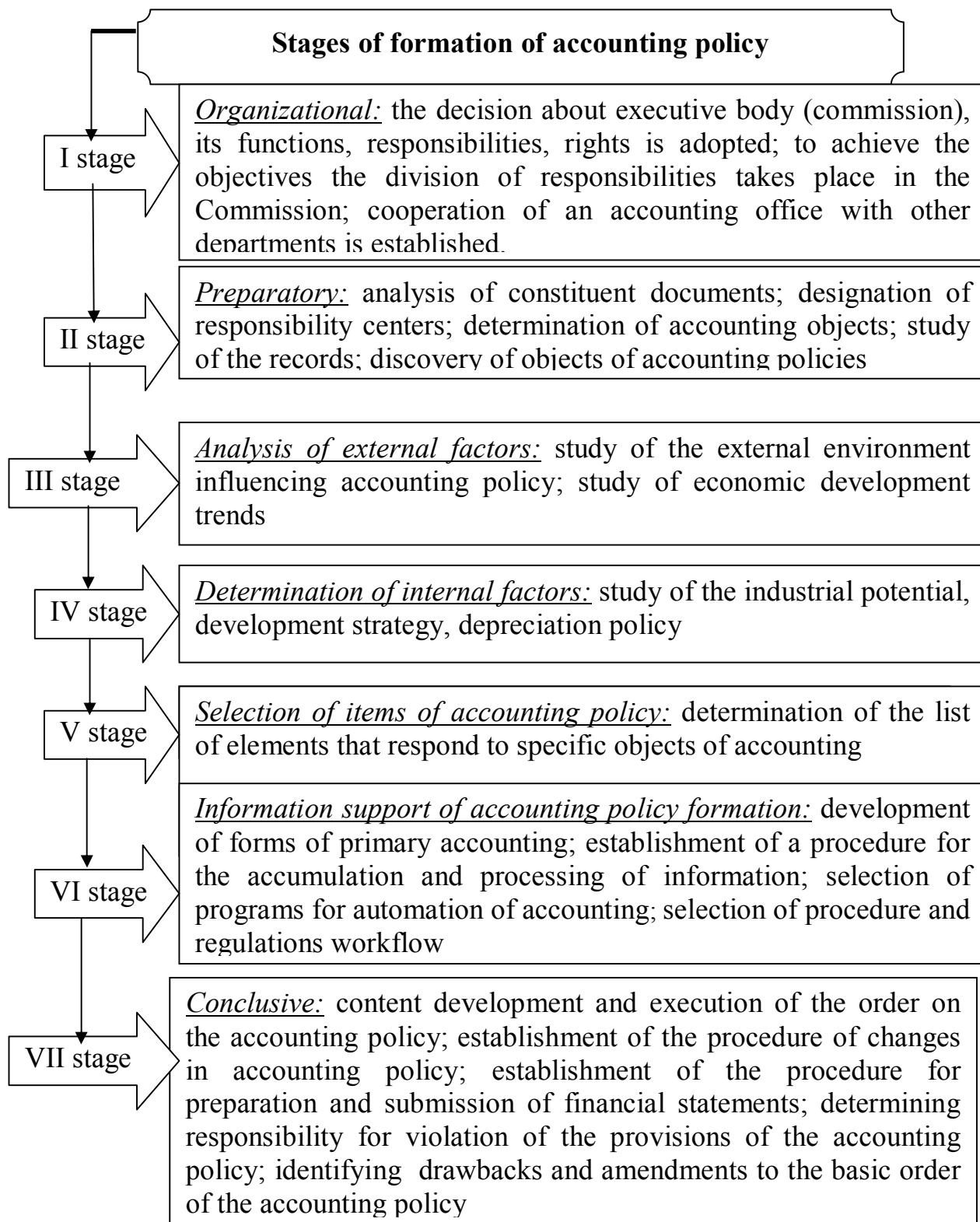


Fig. 1. The main stages of formation of accounting policy

In the case of accounting policy formation (Fig. 1) according to the presented stages the risk of missing important provisions regulating the organization of accounting at the enterprise disappears, and the process of perception and understanding of submitted accounting policy becomes more understandable for accounting staff.

The accounting policy adopted by the company is registered according to corresponding organizational-administrative documents – an order or instruction. The text of the accounting policy can be stated in the order (directive), as well as be an app to it.

In Ukraine, a clear approach to the identification of the components of the accounting policy does not exist, but in practice it is accepted to allocate following structure: general provisions, organizational and methodological sections.

«General provisions» section describes the purposes for which the document was drawn up, when and how changes can be made to it.

«Organizational part» provides for the following subsections:

1. General information about the company (the goal of creation is indicated, principal activities are listed). For example, the construction company performs the following activities: demolition, general construction, finishing, carpentry, plumbing, electrical, exterior and others.

2. Accounting organization (who carries out the accounting is specified; the stages of document circulation and technology of processing records are displayed; order and timing of inventory of assets and liabilities are registered, etc.).

3. The working plan of accounts (all parts of the organization should maintain accounting on a single working chart of accounts developed by the organization independently. The chart of accounts and instruction on its implementation are taken as a basis and necessary changes are made (certain accounts are excluded, and some are added (table 2)).

Table 2

Special Accounts of the building company

Code and account name	Characteristics of accounts
230 «Accomplishment of construction and installation work (construction contracts)»	The cost of construction in progress is reflected
2311 «Construction work performed by subcontracting enterprises»	Scope of work performed by subcontracting companies is calculated at agreed prices
2312 «Construction and installation work performed by own forces»	The cost of construction and installation work performed by contractor is reflected
238 «Completed stages of unfinished construction contracts»	The account is closed only upon completion of the contract, accumulating the sum of all the completed phases
239 «Intermediate accounts»	The account reflects the sum of all invoices issued to the customer (in accordance with acts of performed works) until the contract expires
7031 «Income from sale of construction work»	The work performed by construction companies, can be divided into purely construction (housing, industrial construction) and not associated with construction activity (clearing the construction site, delivery of construction materials or structures to the construction site, etc.) but performed with special equipment. Therefore, the author proposed to show income, expenses and results of construction work and not associated with construction activity that will allow to carry out a detailed analysis of different types of work and to conduct effective control.
7032 «Income from sale of services not associated with construction activity»	
7911 «Results from construction activity»	
7912 «Results that are not associated with construction activity»	
9031 «The cost of realized construction work»	
9032 «The cost of work not associated with construction area»	

Table 2 shows the accounts (existing in practice and proposed by the author) that should be included in the working plan of accounts of the construction company and use them during the reflection of facts of economic life of a business entity.

Methodological section describes the specific ways of information reporting in

the financial statements on the basis of selected alternatives offered in legal acts.

Regarding the expenses of the construction company in an accounting policy the following points should be:

- 1) application by the enterprise (the class 8 or 9) of chart of accounts for bookkeeping;
- 2) the list and composition of variable and fixed overhead costs, as well as their distribution base;
- 3) the list and composition of articles of calculation of the cost value of work;
- 4) the procedure for determining the degree of completion according to the construction contract;
- 5) calculation methods for amortization of fixed assets.

Regarding the use of accounts of the class 8 or 9, it is worth noting that the company decides itself based on the volume of activity, number of contracts (clients) and other factors. In order to track specific types of costs and to conduct their analysis and optimization in the future, it would be better to use accounts of the class 8 or 9. But it burdens an accountant and increases the volume of his work.

Most businesses of Ukraine use for cost accounting only accounts of the class 9.

Expenses for maintenance and production management that remain unchanged (or nearly unchanged) when changing the volume of production belong to the permanent general production costs.

Taking into account activities of construction companies, they should cover :

- amortization of fixed assets;
- rent for permanent assets;
- expenses on maintenance of buildings, warehouses and on heating, lighting;
- labor costs of administrative staff.

The costs for maintenance and production management that vary directly (or almost directly) proportional to the changes in production are considered to be variable general and production costs. Such expenses include use of materials during construction, amortization of fixed assets. The list and composition of articles of calculation of the cost value of work are crucial and form the costs of construction

and installation work in the future.

In order to avoid material losses and make profits, you need to know how to create a list of all expenditures included in production cost and which form the contract price, and in the future they will be reimbursed by the client. Subsequently they will be recognized as income.

For example, the total cost should include: consumption of materials; labor costs of basic workers; amortization of fixed and intangible assets; cost of purchased services.

The following methods for determining the degree of completion of work are given in Regulation (Standard) of accounting (Article 4) – 18 «Construction Contracts»:

- measurement and evaluation of the performed work;
- the ratio of the volume of the completed part of work and their total volume according to the construction contract in real terms;
- the method of the costs ratio incurred at the balance sheet date, with total sum of costs under the contract.

The first one (measurement and evaluation of the performed work) is measurement and evaluation method. It is the most subjective, as it is based on the findings of the individual specialists of the enterprise that determine the degree of readiness of the object. If the company chooses this method of assessing the degree of completeness, it should secure the appropriate authority for specific specialists (foremen, technologists, senior managers). This is due to the inability of the chief accountant to give an independent expert assessment regarding the degree of readiness of the object. In most cases, accountants don't have necessary experience, knowledge and relevant education. In addition, there is the apparent necessity of drawing up of primary documents, which would codify the assessment of the degree of readiness of the object at the reporting date.

To ensure the objectivity of measurement of the degree of completeness it is necessary to make acts of acceptance, which show the amount of money for performed work on a specific date . These acts are coordinated with the customer (he

also puts his signature on the acts), which is an additional factor of the assessment reliability.

The second method (the ratio of the volume of the completed part of work and their total volume according to the construction contract in real terms) is generally similar to the first one. The only difference is that not the value indicators, but real indicators are compared. This method is more adapted for small construction firms. The units of measurement may be the indicators that most adequately characterize the types of work they perform. It may be cubic meters of brickwork if the organization specializes on stone work, or machine-hours of work of the excavators, if the company is mainly engaged in digging trenches.

If the enterprise performs only electrical work, plumbing or other utilities during construction, the man-hours can be used as natural units of productivity calculation. Labour indicators must be useful in the case of using this method for those construction companies that carry out repairs and restoration, as these pieces of work are generally characterized by high labour input.

The most applied in practice is the third method – the method of the costs ratio incurred at the balance sheet date, with total sum of costs under the contract.

The reason is simple: all initial data for calculation is in the accounting registers. This method is usually used by those construction companies that perform complex construction work: great trusts and house-building factory.

In the world practice a «cash basis» method of determining the degree of completion of the contract is used. Readiness indicator is determined on the basis of comparison of the amounts received from the customer at the reporting date (total of all advances), and the total contract price.

Regulation (Standard) 18 does not allow the use of such a scheme. However, the company, that has decided to use the method of measurement and evaluation of the performed work, is not forbidden to consider «cash» indicators as the measuring and evaluation parameters. Amortization can be charged by the following methods (article 7, Regulation (Standart) 7 «Fixed assets»): straight-line, reducing residual value, accelerated reduction of residual value, cumulative manufacturing. In order to

avoid violations of the Tax Code of Ukraine we should rely on regulations regarding the classification of groups of capital assets and other fixed assets and minimum terms of their amortization.

When choosing a method of depreciation of fixed assets and determination of useful life (equipment operation) it is necessary to consider:

- expected use of the facility by the enterprise taking into account its capacity or performance;
- physical and moral deterioration;
- legal or other restrictions on timing of use of the facility and other factors.

Employees of the company who are obliged to fulfil the provisions of the order, are to be aware with the content of the approved order about accounting policies. People take responsibility, for failure to comply with standards of the administrative document, that is determined by the internal rules of the company.

In addition, inaccurate reflection of the events affects the figures in the financial statements of the company, and that means introducing false information into it.

For violation of Article 164-2 of the Code of Ukraine on Administrative Offences [4] liability is imposed in the form of the fine from 8 to 15 tax-exempt minimum of incomes of citizens, namely from 136.00 to 255.00 to UAH.

The task of accounting policy is to provide timely and accurate information for a wide range of users. It is therefore necessary to determine the relationship of interests of users information and provisions of accounting policy (Fig. 2).

The formation of accounting policy depends on the interests of different groups of users of accounting information. The effectiveness of accounting management , financial and economic activities of the entity and the strategy of future development depend on the accounting policy.

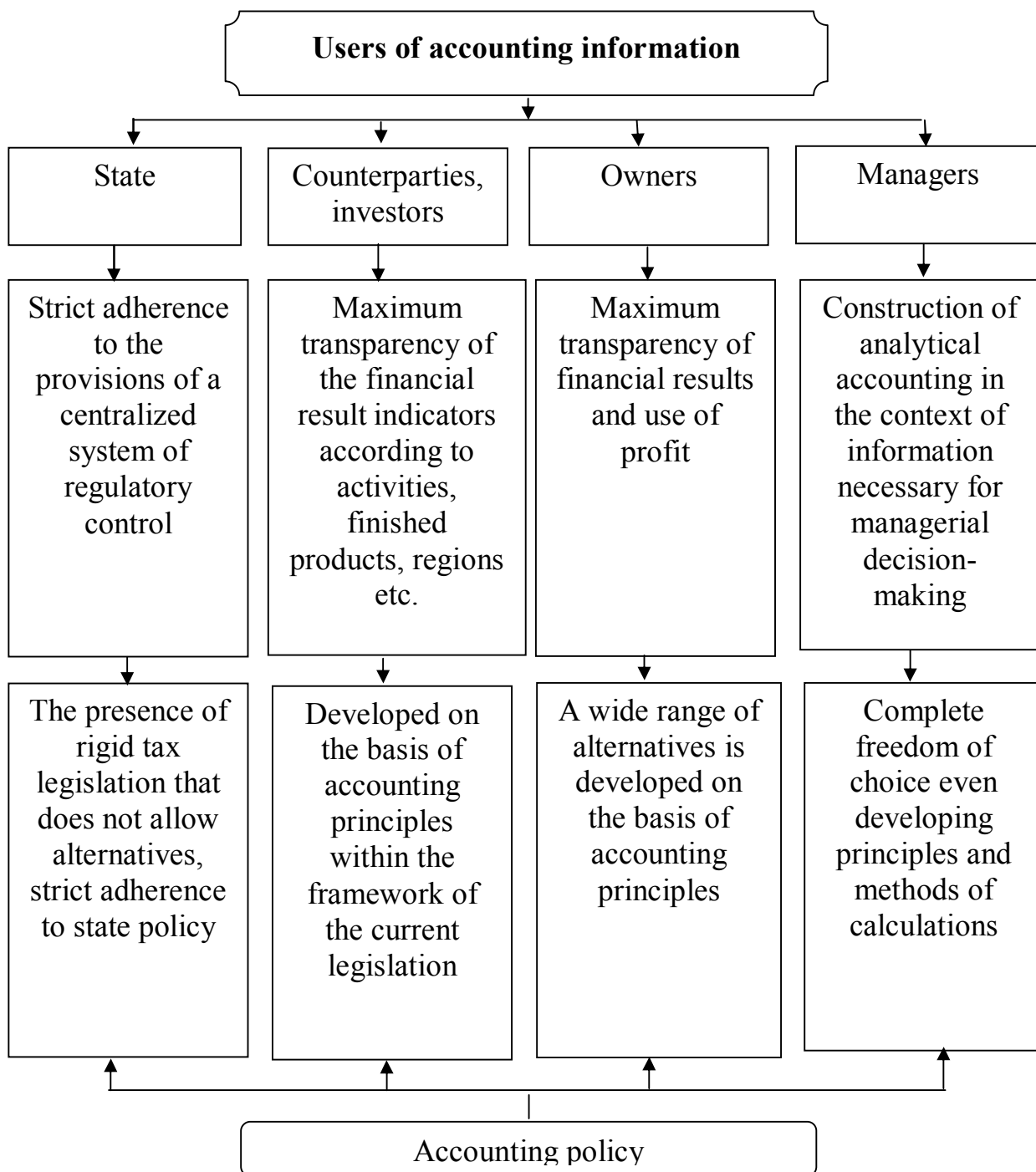


Fig. 2. The relationship of economic interests of information users of accounting policies

Consequently, the accounting policy is an important tool for accounting management and financial reporting, as it reflects the principles, procedures and methods of accounting and reporting. Almost every standard contains alternative provisions of accounting that require approval in accounting policy.

Nowadays, stages proposed by P.Zhytnyi should be taken into consideration.

This approach will allow to consider all significant provisions of accounting policy and give a chance to develop the document clearly and consistently. Firstly, we should identify the users of accounting information for the development of accounting policy that will satisfy their inquiries regarding the appropriate data across the enterprise. Studying the components of the accounting policy, it is necessary to take into consideration the basic aspects of costs accounting of the construction company, particularly proposals for the development of the working chart of accounts of the construction company, determination of the degree of completion of the contract and methods of related costs distribution between the various construction objects.

References:

1. Житний П. Системний аспект облікової політики / П. Житний // Бухгалтерський облік і аудит. – 2006. – №1. – С. 62-64.
2. Закон України «Про бухгалтерський облік та фінансову звітність в Україні» від 16.07.1999 №996-XIV (зі змінами і доповненнями): [Електронний ресурс]. – Режим доступу: <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=996->
3. Звенячкіна В.Ю. Організація обліку витрат основної діяльності промислових підприємств [Електронний ресурс] / Інноваційна економіка. Науковий журнал. – 2012 р. – №7. – Режим доступу: [http://www.nbu.gov.ua/portal/Soc_Gum/inek/2012_7/267 .pdf](http://www.nbu.gov.ua/portal/Soc_Gum/inek/2012_7/267.pdf).
4. Кодекс про адміністративні правопорушення від 07.12.1984 №8073-X (зі змінами та доповненнями): [Електронний ресурс]. – Режим доступу: <http://zakon2.rada.gov.ua/laws/show/80731-10>.
5. НП(С)БО 1 «Загальні вимоги до фінансової звітності» від 07.02.2013 р. №73 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: [http:// zakon.rada.gov.ua/go/z0336-13](http://zakon.rada.gov.ua/go/z0336-13).
6. П(С)БО 6 «Виправлення помилок і зміни у фінансових звітах» від 28.05.1999 №137 (зі змінами та доповненнями): [Електронний ресурс]. - Режим

доступу: <http://zakon2.rada.gov.ua/laws/show/z0392-99>.

7. П(С)БО 7 «Основні засоби» від 27.04.2001 №92 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0288-00>.

8. П(С)БО 8 «Нематеріальні активи» від 18.10.1999 №242 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0750-99>.

9. П(С)БО 9 «Запаси» від 20.10.1999 №246 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0751-99>

10. П(С)БО 16 «Витрати» від 31.12.1991 №318 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=z0027-00>.

11. П(С)БО 18 «Будівельні контракти» від 28.04.2001 №205 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=z0433-01>.

12. П(С)БО 31 «Фінансові витрати» від 28.04.2006 №246 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0610-06>.

13. Скрипник М.І. Організація обліку витрат у розрізі центрів витрат та центрів відповідальності: [Електронний ресурс] / Облік і фінанси АПК. – 2011. – №1. Режим доступу: http://www.nbu.gov.ua/portal/Soc_Gum/Oif_apk/2011_1/5_Skripn_M.pdf

14. Ягмур К.А. Наукове обґрунтування структури і змісту облікової політики щодо витрат на виробництво будівельної продукції [Електронний ресурс] / Вісник Донецького національного університету економіки і торгівлі імені Михайла Туган-Барановського. Науковий журнал. Економічні науки. – 2009. – №3. – С. 258. Режим доступу: http://www.nbu.gov.ua/portal/soc_gum/Vdnuet/econ/2009_3/33.pdf

15. Ягмур К А. Організація обліку витрат на виробництво за центрами відповідальності в будівельних організаціях [Електронний ресурс] / Проблеми теорії та методології бухгалтерського обліку, контролю і аналізу. – 2009. – №1 (13). – С 268-280. Режим доступу: <http://eztuir.ztu.edu.Ua/1845/1/30.pdf>

16. П(С)БО 31 «Фінансові витрати» від 28.04.2006 №246 (зі змінами та доповненнями): [Електронний ресурс]. - Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0610-06>.

2.9. IT COST MANAGEMENT IN THE CONTEXT OF EUROPEAN INTEGRATION

Today integrated information systems usually have a complex structure and hierarchy, which depends on the individual characteristics of production units and their organizational structure. Enterprise information system is inseparably linked to the mechanism of business management. An important and necessary step in improving the management system is to create prerequisites for increasing economic efficiency of the enterprise through the use of information system data. The impact of these factors especially increases in the current economic conditions and requires the development and use of effective information system. The management system is based on the information system. It is designed to provide the management at all levels of economy with the necessary information for making the appropriate management decisions based on the previously set objectives and goals.

Addressing tasks the enterprise information system is facing, is only possible if the right conditions are achieved and, especially, if the company clearly defines objectives for each management subject and the level of control and delegation of management decisions. Currently, employees of the administrative apparatus receive sufficient analytical summary information for the development of solutions for all problems in the system hierarchy. This makes it possible to provide a high level of cost management.

The management system is characterized by complexity, efficiency and regularity, high quality ratings information, and a high rate of re-use.

The goal of the management information system of cost management is the timely provision of necessary and sufficient information to make operational, tactical and strategic decisions on the costs of the period, their absorbency and applications, as well as efficiency and production cycles of the company and its units.

The management information system is designed to meet the operational, strategic, and tactical challenges. Therefore, we distinguish three basic levels of

management: operational, strategic, and tactical. At the level of operational management, we must create cost and responsibility centers, which will serve as sources of information and its primary processing. In accounting terms, this level can be represented as a 'primary document - analytical accounting' system. This is, in fact, the level of formation of information and analytical support for the cost management, which creates a need for operational control of authenticity and accuracy of raw data input. The strategic management level should include a system of emerging centers of profits and characterize the intensity of vertical and horizontal flow of accounting records, in fact we may call it a 'synthetic accounting - consolidated accounting' system. At the tactical level of management decisions, it is advisable to create investment centers. Information provision at this level is formed according to consolidated accounting, internal reports of structural units and business segments.

The nature and number of implemented information technology requirements may vary. Everything depends on the scale of the project and the size of the organization. Small businesses are unlikely to benefit from the rigorous application of formal methods in the implementation of simple and obvious technical solutions. While in larger enterprises some formalization often contributes to a better understanding of the requirements and eluding many problems in the future.

First and foremost, we should note the fact that the implementation of information systems results, of course, in serious consequences for the entire management structure. Thus, it is impossible to assess the effectiveness of a system introduction without assessing the effectiveness of changes in the enterprise operation.

Evaluation of certain results in the implementation of a system essentially depends on the overall positive or negative changes in the structure and system of management, the accompanying introduction of a system.

To ensure the successful implementation of an information project still in development, in our opinion, one should focus on the preliminary assessment of its

payback period. Estimation of payback for implementation of information technology is often more complicated than many other investment decisions.

Administration must determine whether the analysis of the ratio of production costs and potential results must conform to the formal definition of a list of detailed system requirements, or vice versa. In practice, these two processes are executed concurrently and are interconnected. For example, the already existing infrastructure is capable of cheaply supporting new projects that could become the focus of its activities, if they were implemented from the start. In this case, it may be immediately found that the positive effects of the project outweigh any additional investments, and the administration may decide to reduce the depth of analysis of the ratio of production costs and potential results or not conduct it at all. On the other hand, if the use of an existing information technology diverts almost all resources, even a small project may require special efforts to augment the infrastructure. In this case, the administration cannot accurately set the amount of additional costs to determine whether a project pays off at all in the future.

Of course, the cost should always pay off. However, it should be borne in mind that the development of information systems may initially, at least in the first stage, lead to financial losses. However, implementation of such projects can make a huge difference to a company in the future, whether it's to stay afloat or maintain competitiveness. It should also be noted that the project payback can be achieved through more than merely significant results from its implementation from a financial point of view. Even a small increase in productivity is often very valuable. It is clear that investments in information technology should be seen as an investment in business. The economic effect is achieved in different cases in different ways: finding market opportunities and developing strategies to provide long-term benefit of saving money on overhead, the competitive advantage, the advantage of time.

One of the variants of determining the cost-effectiveness of cost management in terms of information systems may be selecting the most important coefficients:[2]

- inventory accounting (C_{ia});
- production dynamics (C_{pd});

- business process optimization (C_{bpo});
- labor (C_l);
- marketing mix effectiveness (C_{mme});
- payback for automation (C_{pa}).

The calculation of these indicators (coefficients) is possible by selecting a number of factors that reflect their level of importance in the initial state – the beginning of the automation process, and at the end – after its completion.

The order of the study is presented in the following stages:

1. “Initial” value of each indicator is filled separately, by distributing 100 points between a list of proposed factors based on the level of priority. Setting the problem in this form allows objectively assessing the priority of indicator factors. Particular attention should be paid to the fact that the list of proposed factors is originally selected in order to further identify the possible divergence of opinions. To this end, we correlate a range of indicator factors and derive an average rate of divergence. This makes it possible to draw a conclusion as to the credibility of this information.

2. After testing the information system and getting desired results, we characterize the working capacity of the system and propose filling the “actual” values, but from the perspective of their implementation.

3. Having filled the two graphs, we calculate the nominal value of each indicator factor by subtracting the “initial” values from the “actual” ones. We select the highest “number” from the list of obtained values, regardless of the sign. If the resulting “number” is positive, it is taken as a relative value of the investigated indicator; if it is negative, then this number increases by 50%. [3]

An important aspect of the methodology, in our opinion, is the principle under which, if the significance of a factor initially was not determined correctly, then it must be shown adequately in economic coefficients to eliminate possible distortions in the study.

The greatest effect of the product introduction is achieved if it not only automates the entire technology of a particular business process, i.e. production costs

accounting, but also comprehensively covers most business flows of the organization.

The positive features of this approach are clear:

- excludes re-entry of information, which significantly reduces labor costs and virtually nullifies errors during operation;
- achieves high efficiency of information technology due to lack of breaks associated with the transfer of information;
- creates a single information space that enables managers and analysts to quickly and reliably receive integrated data about the organization in general and each link, in particular.

Differentiation of management levels is important in creating the necessary and sufficient management information system software. Almost every level of management creates its own rational integrated information system with clearly defined flows of information, necessity and sufficiency of which has to be determined. To distinguish management levels in the information system defining “information thresholds” may be useful. Information that is partially used in the future in case of a request is stored on the information threshold. If we develop the idea of marginal use in the present circumstances, it is appropriate to note that there are currently information thresholds for management purposes, but such restrictions are slightly modified.

That is there are certain limits, let us assume levels of management, in the information space of which the information is both necessary and sufficient for management purposes. Beyond this level of management, this information without additional processing is unsuitable and impractical, is converted into information “noise” (Fig. 1).

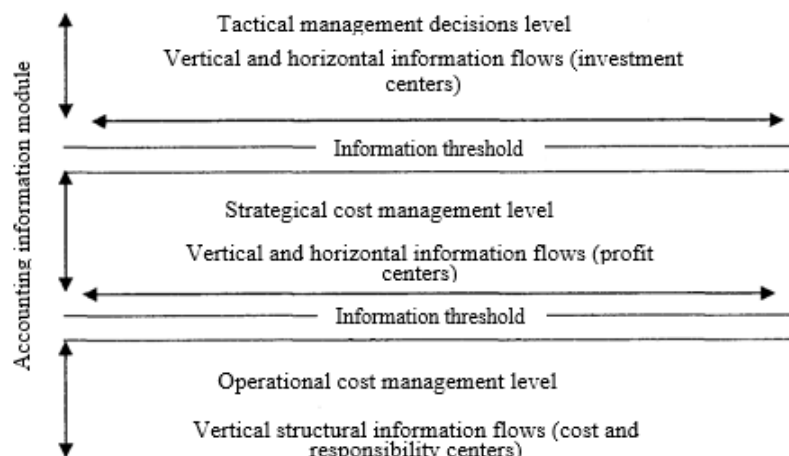


Fig. 1. The latest levels of cost management technology [1]

It should be noted that the proposed information thresholds are essentially recipients of IAS (information accounting system), i.e. processing the accumulated accounting information, organizing and integrating accounting and budget data is conducted at the threshold levels of information. With the formation of structural IAS by levels of management, in our opinion, it is necessary to use the principle of “reverse”, namely to pre-define system parameters that sufficiently characterize the costs of branch, a profit center, a business segment or an investments center. Subsequently the analytical information system necessary to analyze and assess the costs in terms of management levels, factors of production and cost elements is formed.

A prerequisite for the development of an effective management system is the direct study of optimal construction and efficient operation of existing information management systems (IMS) at enterprises of Ukraine.

At most enterprises of Ukraine, the information system does not create conditions for sufficient economic substantiation of management decisions. Such businesses are characterized by significant volume and irrational flow of information, namely:

1. Collection, creation, processing and other operations consume 41% of the budget-time of administrative staff.

2. The largest share of information that comes to the management personnel has so far been accounting and reporting information (58%).

3. The amount of planning and administrative information does not exceed respectively 7 and 11% of total information.

4. The share of the compiled analytical information is also unsatisfactory. It is only 8-10% of the total amount of information, which is not enough to justify the choices and management decisions. The system of primary accounting documents is characterized by low analyticity and does not allow increasing the share of the compiled and analytical information. According to our calculations, compiled and analytical information should be up to 46% of the volume of information by the objects and subjects of management; its share exhibits upward trend.

In economic practice, the outlined conditions are not taken into account. This state of management information systems in many enterprises of Ukraine leads to the fact that heads of facilities lose 28% of the information for making and implementing management decisions of both operational and strategic nature. Meanwhile, despite the lack of information volume for making management decisions, business leaders receive 40-45% excess information to coordinate and approve, which interferes with the efficient use of their time. The problem is that the inefficiency of accounting flows leads to duplication of accounting information not only in the management system, but also in accounting subsystems, thus creating an information “noise” in the form of redundant information.

The disadvantages of the existing system of accounting information can be identified in the following areas:

1. Lack of accounting information in some of its forms, lack of a comprehensive presentation of necessary and sufficient information.

2. Duplication of data flows at different levels of management by manufacturing, services and the operational costs.

3. The delay of receipt and filing of information that leads to delays in decision-making and affects the efficiency of administrative actions.

For a long period, the enterprises attempted to eliminate the shortcomings of the existing information system through new forms of management, decentralization of authority, enterprise-wide self-regulation, but this has not led to significant changes in spite of the fact that some qualitative changes were seen.

Improving the management information system can only be based on a systematic and integrated approach. One of them, in our opinion, is a construction of an optimal accounting system that should be carried out towards simplification. Moreover, the current state of market economy also requires improving the system of production, organizational, managerial, and communication relations. The latter is directly related to the improvement of the management information system. This system should provide the linear and functional management apparatus of all parts of the enterprise with the necessary information for the development, adoption and implementation of both strategic and operational decisions.

Based on modern approaches to information support of managing the overhead and production costs, it is advisable to set out a system of interrelated factors affecting it. In our opinion, they should include:

- *Classification of production costs.* The distinction of structural information flows and their targets depend on the production costs *classification* adopted at the enterprise (allocation of fixed, variable and conditionally fixed costs). In particular, such a division is important to determine the methods of absorption of fixed costs of the period.

- *Improving the management of the enterprise, management methods, ranging by level.* The system of cost management and its information support is a component, subsystem of the enterprise management system and has strong direct and reverse links to the other subsystems. Thus, the accounting information on the actual production costs and production output of the period is insufficient to regulate and manage the variable costs. This is because the information is not suitable for management purposes without information on the production budget and the production program. Therefore, the cost management information system must be maximally integrated into the system of production management and must take into

account organizational and production structure of the enterprise.

Given the above, it should be noted that the formation of an information support of cost management should be carried out separately for each type of production and method of calculation, as processing technology and synthesis of data will be different, and consequently, the flow of information will have a different structure, intensity and targets.

Thus, the optimal process of cost management to prevent undesirable trends involves an integrated approach to the interaction of the entire set of management functions through timely scientifically proven impact on the processes taking place in it. One of the main solutions to this problem is to create proper management of information support aimed at integration of IAS and creation of integrated data processing system on this basis.

References:

1. Панасюк В.М. Витрати виробництва: управлінський аспект. - Тернопіль: Астон, 2005. – 288 с.
2. Ходзінська В. Формування економічної інформації в умовах сьогодення //Бухгалтерський облік і аудит – 2016. – №6. – С. 6-13.
3. Яворська Л. І. Концептуальні основи до розвитку новітніх технологій управління витратами // Вісник Податкової Служби України. – 2016. – №44. – С. 32-38.

2.10. DEVELOPMENT OF ENTERPRISE INNOVATIONS MANAGEMENT ACCOUNTING METHODS

The practice of accounting the innovative activity is subject to International Standards of Auditing and Accounting, as well as to National regulations of Accounting. Although according to modern concepts, on which the accounting record keeping and reporting is based, but the very notion of “innovations”, as well as consistent approaches concerning reflecting innovative activity venues in accordance with separate business units’ economic specificity. In relation to this it is important to clarify and develop those regulations that administer the process of accounting and revealing information about innovative activity for enterprises in different branches of national economy.

Innovations accounting management is a complex system of accounting, planning, control and analysis of information about costs on innovative activity and the results of this activity in considerable analytical perspective with the aim to make short and long-term managerial decisions concerning enterprise innovative activity (Fig. 1).

The subject of innovations management accounting is the innovative activity of the enterprise, i.e. its development, approbation, and implementing innovations.

In relation to emphasizing the subject of innovations management accounting, let’s also mark out the accounting observation objects.

Classical objects in accounting are products and / or subdivision. But creating innovations is not a streaming process. Each scientific research result demands individual approach, a certain amount of means and resources. That’s why innovations management accounting has got different from general understanding objects of accounting observation.

Innovative activity of the enterprise is a complex of objects different in their character and purpose. They can be represented by means of two groups: the objects that provide the innovative activity of the enterprise; the objects that represent innovative activity.

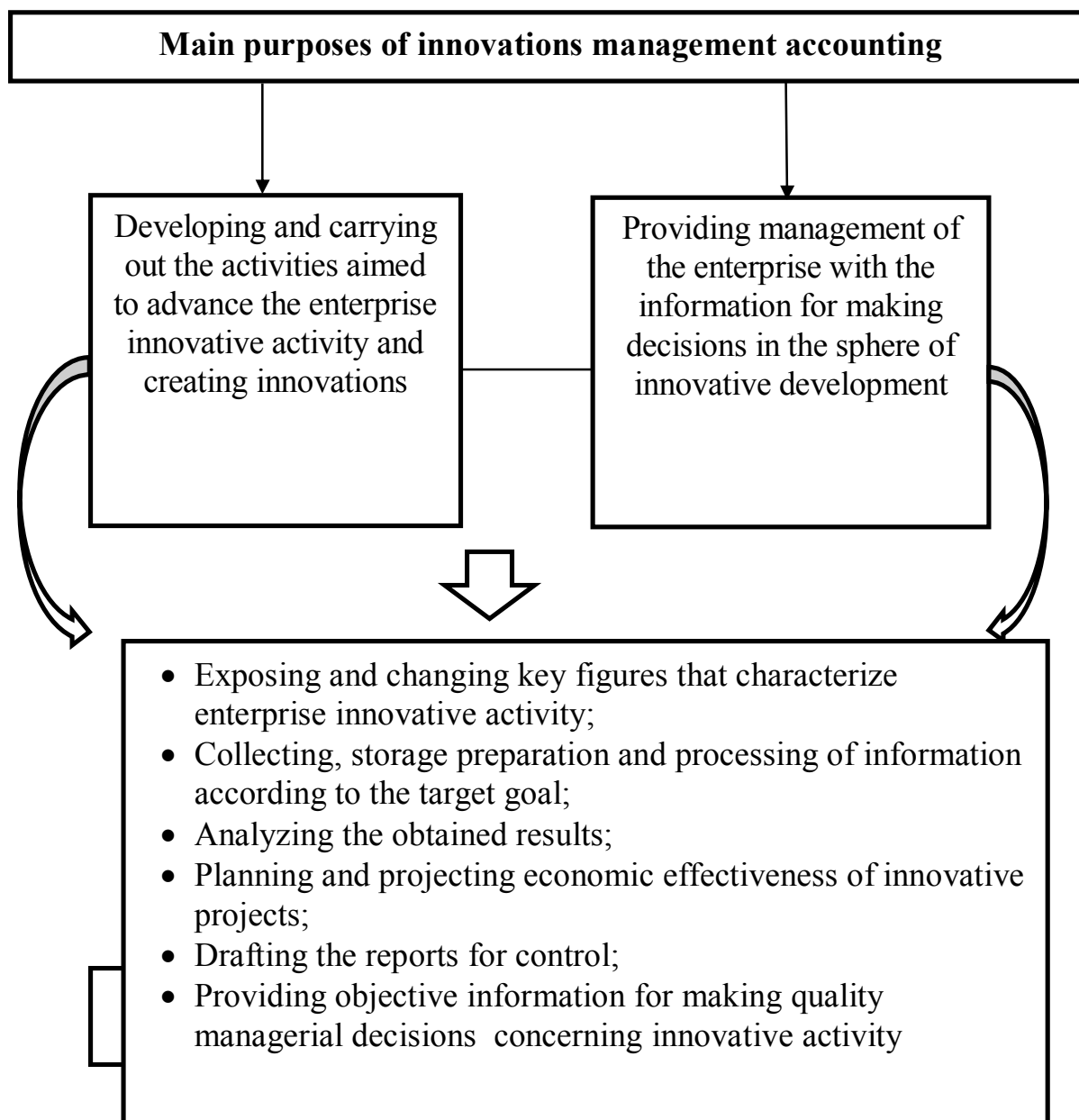


Fig. 1. Main goals and tasks of managerial accounting

The objects that represent innovative activity are the processes of innovative activity (development, approbation, and implementing innovations). Every innovative project is being supplied with unique algorithms for implementing it into life.

Management accounting of the given objects implies information procurement of means aimed at the end result – successful assimilation of innovations.

Objects that ensure innovative activity form the utmost interest for the accountant analyst and top manager, because speed, quality and self-cost of the end result, i.e. the innovative product depend on their availability, state and level.

Let's speak in detail about those objects that ensure innovative activity, that is about resources and assets that take part in the enterprise innovation production:

- major means that take part in creating innovations;
- Material resources used to create innovations;
- Labor resources that create innovations;
- Money supply necessary for creating innovations.

First three objects form the expenditures of the enterprise for innovations. Money supply transferred by the subject of entrepreneurship to innovative activity should be viewed separately.

The method of innovation management accounting is a totality of modes and means with the help of which the objects that form and provide innovative activity are represented comprehensively.

Managerial accounting as a branch of science and a branch of practical activity has its specific methods that must ensure effective and true estimation of the production (work, service) self-cost by means of calculus.

Any innovation as an end result of innovative activity is unique, so it's impossible to work out a single method of calculating innovations and use it successfully for every innovative project of the enterprise.

National economy today uses several methods of estimating costs and self-costs, but none of them can be applied as it is (without any amendments) to serve innovations accounting management. Every specific occasion needs to use the model of innovation total cost due to actual expenditure.

Accounting actual expenditure for creating enterprise innovation is based on the following major principles: full representation of primary input for creating innovation in the accounting system of payments; cost accounting registration the moment it appears in the process of innovative activity; allocation of costs according to innovative projects and costs features.

Budgeting as an information system of the inner-company corporate management in the management innovation accounting has its own specific features.

Budget for innovations can become an instrument for flexible management of financial flow and ensuring innovative activity.

A very precise definition of the budget is given by American economists Jae K. Shim, Joel G. Siegel, who explain the term “budget” as “a quantitative plan for enterprise activity and carrying out the programs which are bound by a set of financial (assets, private capital, revenues, expenditures, and so on) and/or natural economic indices of company activity” [1]. According to them, a budget forecasts setting the company’s goal in terms of meeting exact financial and operating tasks.

The majority of national authors equal the budget with a process of planning. We consider that planning is only a part of the budgeting. Budgeting itself integrates the processes of planning, control and analysis into the single system, as far as planning without control is senseless, and analysis that isn’t used for control is aimless, and control which is not based on the planned and documented data is pointless.

Operating constituent of the general budget shows the planned operations for the future year for the particular production department or a separate function of the enterprise. The list of the “private” budgets formed by different economists is practically identical. Individual character of the very operating budgets and versatility of the tasks solved with their help, and also the subjective approach to the development processes precondition availability of the different names of the budgets alongside with preserving the sole subject matter.

The second constituent of the general (main) budget is a financial budget, the aim of which is to develop the forecasted balance of the enterprise. The financial budget, according to C. Horngren, includes: capital budget, cash flow budget (project), balance budget (project) [3].

All enumerated private budgets, except of the capital investments budget, serve as a similarity representation of obligated financial documents. The most interesting is a capital investments budget.

Capital budget, or, as it is also called, capital investments budget, determines the volume of funds that should be invested in order to purchase major assets to meet

the aims of the enterprise and to ensure its stable functioning. The budget determines the volume and terms of financing required. Placement of funds is allocated for a lasting period and their result is seen in the long run. They are characterised by indefiniteness from the point of view of received profit, because they result in considerable cash outflow and reimburse losses during the considerable span of time.

We offer to separate out the innovative activity budget from the general budget of capital investments. Despite the fact that the given budget in terms of items of the budget is similar to the expense budget, its aim and functioning mechanism correspond completely to budget of capital investments.

Enterprise's innovative activity budget has to take into account all the expenses that can potentially appear in the process of development, approbation and implementing innovations. The most complicated factor here as well the determining one is the preferred time interval.

Let's consider the basic stages of enterprise's innovative activity budgeting process.

1. The aim of enterprise's innovative activity budgeting process and its main tasks are notified to those people who are responsible for its drafting. Such aim, in our case, may become the development of new types of products.

2. Figuring out those factors that constrain the achievement of the set goal. The example of such factor may serve the negative result achieved in the process of innovation development.

3. Working out the innovative activity budget program. It's necessary to split the whole innovative project into several stages and to form within the every stage some aims, tasks, people in charge and events concerning exact stage realisation.

4. Preliminary innovative activity budget preparation takes place in the innovation department. The preparation process should go from the bottom upwards, that is the budget is formed at the lower level of management (within innovation department), then it is improved and coordinated at the upper levels (in Finance and economics department and parent company)

Budget should be formed with taking into consideration the previous years' data and possible changes in conditions in the future. Special attention should be given to those projects that were begun in previous periods and to the projects which were not carried out on time, but which remain potentially perspective.

It is essential to form the enterprise's innovative activity budget with the consideration of the following data:

- Payroll budget – reveals expenditures on salaries and deductions for social events and activities;
- Material expenses – there is a foreseen need in funds necessary for financing current innovative activity, preceding from this all other payments to third parties;
- Electricity consumption – here is included expenses on electric and heat energy, water, steam, etc., necessary for innovative activity within each project that is being developed. This serves as the basis to calculate the need in expenses necessary to be paid for the certain type of energy to meet the aims of innovative activity;
- Main factors of production and their depreciation – here we find included expenses on purchasing or creating new major factors of production necessary to achieve the results in innovative activity, current and capital repairs of functioning machinery and equipment, its renovation, depreciation costs;
- Other expenses - here we find included other expenses (on business travels, transportation, etc.)

Taking into account all the data about expenses stated above it becomes possible to draft a consolidated complex budget on enterprise's innovative activity that comprises all innovative activities completely.

Consolidated budget for innovative activity is added by the following functional budgets:

- Credit and loan redemption budget reveals all operations concerning repayments on credits and settlements of loans taken to carry out

investigations for innovations in the strict accordance with a scheduled plan of payments;

- Fiscal budget reveals all tax and compulsory payments.

1. Debating and coordinating the innovative activity budget with upper management (parent company). Studying ratio criteria of the particular level budget allows to make coordinated and mutually accepted decisions for every subdivision.
2. Characteristics and analysis of the enterprise's innovative activity consolidated budget.

The constituents of the enterprise's innovative activity consolidated budget are the following:

- Starting pro forma data;
- Program on innovative activity;
- Cash flow statement.

As a matter of fact, any consolidated budget consists of two parts: revenue and expenditure, but for the enterprise's innovative activity budget it's impossible to have a revenue part as innovations development means only expenses in the first turn, and revenue can be achieved only when the innovative activity end product appears, that can be a patented sample which has become an intangible asset.

1. The final approval of the innovative activity budget.

Budget approval is made at the upper – first – level, where the consolidated (general) budget of the enterprise is drafted. It includes profit and loss statement, cash flow statement, and innovative activity budget.

Innovative activity budgeting methods may include both functional and complex budgets. These types of budgets may be drafted by the enterprise alongside with the master budget for various work centers and organization units.

The functional budget is drafted, as a rule, in accordance with one, and less often, with two expenditure headings, and the complex budget is drafted in accordance with a wide range of expenses, e.g., administrative budget [2].

Figuring out functional budgets in the form of income and expense pro forma within the framework of the consolidated enterprise's innovative activity budget is determined by the possible simultaneous availability of several innovative projects in the complete economic agent's innovative activity. Taking into account that each project is a specific and peculiar one, we offer to draft separate income and expense pro forma for each of them and then to consolidate them into the general budget of the enterprise's innovative activity.

References:

1. Джай К. Шим, Джойл Г. Сигел. Основы коммерческого бюджетирования / Пер. с англ. – СПб.: Азбука, 2001. – С. 456.
2. Фінанси підприємств: проблеми і перспективи в 3-х т.: [монографія] / [Білик М.Д., Бевзюк Н.А., Захарін С.В. та ін.]. – К.: ПанТот, 2012. – Т. 2: Фінансові аспекти інноваційно-інвестиційного розвитку підприємств. –2012. – С.137.
3. Хорнгрен Чарльз, Фостер Джордж. Бухгалтерский учет: управленческий аспект: Пер. с англ./ Под ред. Я.В. Соколова. — М.: Финансы и статистика, 2007. – С.126.

CHAPTER 3. TRANSFORMATION OF ENTERPRISE STATEMENTS TO INTERNATIONAL STANDARDS AS ONE OF THE WAYS OF IMPROVING THE INVESTMENT CLIMATE IN UKRAINE

3.1. INVESTMENT CLIMATE IN UKRAINE AND INVESTMENT ATTRACTIVENESS OF THE ENTERPRISES

An investment climate is an aggregate of factors which are taken into account by an investor during decision-making about investments. Ukrainian legislative acts determine an investment climate as an aggregate of economic, legal, regulatory, political and other factors that eventually determine the degree of risk of investments and possibility of their effective use (State Agency of Ukraine of Investments and Development, 2012).

At microeconomic level an investment climate is exposed in bilateral relations between firm-investor and certain state authorities, economic suppliers, customers, financial & credit establishments (commercial banks, insurance, leasing, factoring companies etc.), as well as local trade unions and company personnel.

The important factor of attraction of foreign investments is a country image on the international scale, its position in leading ratings, experience of other investors in local activities etc.

The analysis of known approaches to the estimation of investment attractiveness and climate of country shows that international organizations and agencies, which make up ratings, use macroeconomic indexes as basic parameters such as dynamics of growth and structure of gross domestic product, conditions of national balance of payments, financial market, pay-out of internal and external debts. Among the different international methods of estimation of investment attractiveness one has to highlight the assessments of Group of the World Bank, World Economic Forum (WEF), Heritage Foundation / The Wall Street Journal, Transparency International, rating agencies Standard & Poors, Moody's, Fitch Ratings, European Business Association and others (3, p.6).

Ukraine is down of the table that indicates unfavorable investment climate and unattractiveness for foreign investors. Although there was spotted some positive dynamics (rating of competitiveness, index of economic freedom and global competitiveness), currently the ratings deteriorated after the events of late 2013 and early 2014 caused by revolutionary transformations, annexing of Crimea by Russian troops, by separatist events on the east of Ukraine.

Statistic data show that current investments volume is insufficient for the acceleration of scientific and technical progress and growth rates, which went down in 2015 (Figure 1).

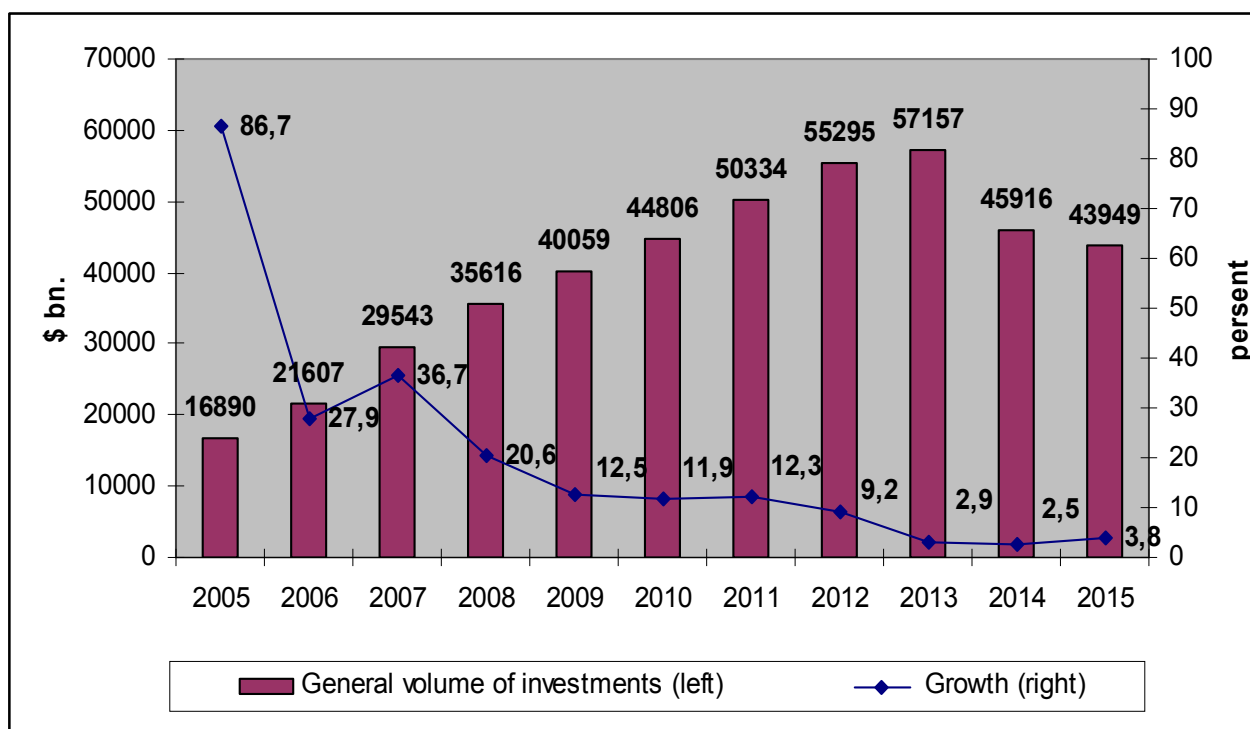


Fig. 1. Dynamics of direct Investments into Fixed Assets during 2005 - 2015

Net inflow of direct foreign investments to Ukraine in 2015 made up \$3,8 bn. that is twice less than in 2014. The basic investors of Ukrainian economy are Cyprus (\$11,745 bn.), the Netherlands (\$5,611 bn.), Germany (\$5,414 bn.), Russian Federation (\$3,352 bn.), Austria (2,402 bn.), Great Britain (\$1,853 bn.), Virgin Islands (\$1,799 bn.), France (\$1,528 bn.). There is only \$1000 of foreign investments

per capita in Ukraine, while in Czech Republic there is \$7418, in Bulgaria – \$6226, Poland – \$3155, Romania – \$2350.

Therefore, it is very important now to raise the international rating of Ukraine and investment attractiveness of Ukrainian enterprises.

The investment attractiveness of certain projects or ventures under economic, political and social view-point are presently in Ukraine of particularly important value due to considerable restrictions of investment resources, absence of effective state support and necessity of external investments.

One has to admit that in modern economic literature there is no clear idea about the essence of investment attractiveness and system of its estimation. Many specialists equate investment attractiveness with the estimation of efficiency of investment projects. The most efficient projects must be included in an investment portfolio. However, on the early stages of its formation an investor is always able to estimate each of the investigated projects. Calculation of efficiency of investments is a difficult process which requires considerable information where a potential investor can not always get at primary research of large aggregate of projects.

Full enough, to our opinion, the Ukrainian scientist I.Blank exposed this concept. Under an investment attractiveness integral description of separate companies (firms) he assumes the objects of the future investing from position of prospects of development, volume and prospects of sale of products, efficiency of the use of assets and their liquidity, state of solvency and financial stability (1, p.400). The widest understanding of investment attractiveness is an aggregate of objective and subjective terms, external and internal factors which promote or hinder the process of investing of facilities in the economy of country on macro, mezo, and micro levels. The estimation of investment attractiveness is the system of actions of potential investor, directed on a selection to the investment portfolio of the most effective projects being relevant to the financial resources. In world and Ukrainian practice a number of methods were elaborated for estimation and analysis of investment attractiveness of subjects of economic activity which are based on financial indexes.

It should be noted that main their features are:

- they are based on many indexes united in certain groups and directions of analysis;

- indexes characterizing profitability, property and financial state of object of investing are taken into consideration;

- a lot of methods include analysis of indexes of investment risk and exposition of different economic indicators to the present moment by means of the system of discounting;

- determination of relative meaningfulness of certain indexes by means of ranking or determination of their share;

- aggregation of various indexes into universal system of estimation through determination of one or a few integral indexes.

Among Ukrainian methods of financial analysis of objects of investing it is possible to highlight the following:

1. Estimation of investment attractiveness of certain companies and firms offered by Professor I. Blank

2. Method of estimation of efficiency and attractiveness of investment projects developed by the group of scientists of Kiev State Technical University of Construction and Architecture (KSTUCA).

3. Indexes are estimations of investment attractiveness recommended by resolution of Coordinating Council of Investment Activity at Prominvestbank of Ukraine # 7 dated from 4.03.1999p.

4. Method of integral estimation of investment attractiveness of enterprises and organizations approved by the order of Agency of Bankruptcy of Enterprises and Organizations #22 dated from 23.02.1998.

Table 1 contains comparative description of criteria of estimation and analysis of investment attractiveness.

Table 1

Directions of financial analysis of investment attractiveness of enterprises

Directions (criteria) of estimation	Method of I.Blank	Method of KCTUCA	Method of Prominvestbank	Method of APZBPO
1. Estimation of the property of object of investing				+
2. Analysis of asset turnover	+	+		
3. Analysis of profitability	+	+		+
4. Estimation of profitability			+	
5. Estimation of business activity				+
6. Analysis of financial stability	+		+	+
7. Analysis of involved loans		+	+	
8. Analysis of liquidity of assets	+	+	+	+
9. Estimation of market activity				+
10. Market estimation of shares			+	
11. Analysis of financial efficiency of investment projects		+		
12. Determination of integral index of investment attractiveness				+

Majority of mentioned assessment methods for business ventures were built on determination and analysis of economic indicators due to certain directions: to assets turnover, profitability, financial stability, liquidity of objects of investing etc. Each of mentioned directions contains a few indicators which substantially influence and comprehensively represent an area of activity of enterprise. The biggest problem is to aggregate information directions and indexes to the unique denominator, to define the universal integrated index of investment attractiveness.

Application of integral estimation in the analysis of activity of enterprises in economic literature has been seriously criticized for a long time. The most substantial lacks of this method of analysis are:

- possible errors at the choice of certain aggregate of indexes for the calculation of the universal integrated index;

- possibility of the subjective approach to determination of index share in general mass of information;

- complication in determination of extreme limitations (minimum, maximal or optimum values of that or other index), and also directions of their action (optimizations are on a minimum or maximum);

- absence of clear standard values of integrated indexes, which results in the fact that such method can be effective only for the comparative estimation of certain aggregate of objects and can not be used for determination of attractiveness of certain venture.

From our point of view, for determination of investment attractiveness of an enterprise or separate investment projects, a similar method can be useful due to such considerations:

1. It allows carrying out the operative estimation of different directions of activity of future object of investing in accordance with unique criterion.

2. By comparative analysis a potential investor has possibility to define operatively the preferable options for investment portfolio which promotes the improvement of investment diversification.

3. With the help of integral estimation a certain enterprise can be recognized to be investment attractive regardless of its subordination, location, or investment unattractiveness of other subjects, region, and industry.

4. Similar methods, as a rule, are based on well-known indexes which are well worked out in domestic practice and satisfy the requirements of international and national standards of book-keeping. Most of them are contained in the official financial reporting, they are opened and accessible for any user of information.

5. Subjectivism in determination of extreme limitations of directions of action, share of indexes is removed due to the fact that there is a number of scientific issues, practical methods for the analysis of financial reports by means of coefficients for the detailed estimation the most indexes.

6. Calculations are based on the simple mathematical methods with the use of rules of rank correlation and easily processed by computer on the base of typical software.

Practical implementation of these methods of integral estimation of investment attractiveness of certain aggregate of enterprises must be following: selection of necessary input information is on each of the investigated subjects; grouping and analytical processing of information; classification (ranking) of the subjects is after the certain ratings systems.

On the first stage they carry out the selection of necessary input information for the analysis. As a rule, these must be the indexes of the official financial and statistical reports which are accessible for any user. It enables attracting as many as possible objects for the researches. On the second stage they make grouping of input information and calculation of values of analytical indexes. Analytical indexes comprise the most important ratios, which characterize production and financial potential, profitability and business activity, financial stability and liquidity. For more deep detailing of a large number of indexes, they are united in homogeneous groups corresponding to directions of analysis.

To our mind, during research of investment attractiveness it is necessary to conduct the analysis of their activity in such directions: of the property conditions of object of investing; of capital turnover; of profitability of object of investing; of financial stability; of liquidity of assets; of market activity of object of investing.

The most difficult is organization of work on the last stage of integral estimation, where it is necessary to choose the optimum rating system which would allow aggregating all heterogeneous criteria to one denominator.

The simplest method of ranking is a construction of rating row with an appropriation to each of the probed enterprises of the concerned place on separate indexes or directions. The summing allows setting the final place of every enterprise in the system of rating. This chart of rating can be complicated by introduction to it of criteria of share for each index.

For rising of rating of Ukrainian entrepreneurship it is important to have an objective estimation of investment attractiveness of an enterprise. Such estimation can be done by thorough study of economic activity: analysis of their property conditions, capital turnover, profitability and financial stability, liquidity and market activity. And their ranking to the unique integrated index will allow discovering the most attractive for investing subjects.

References:

1. Бланк И.А. Инвестиционный менеджмент. – К: МП «ИТЕМ» ЛТД, 1995. – 448 с.
2. Буднікова Ю.В. Інвестиційна привабливість підприємства та фактори впливу на неї // Інноваційна економіка. – 2012. – №3. – С.194-197.
3. Гайдучський А.П. Оцінка інвестиційної привабливості економіки // Економіка і прогнозування. 2004. - №4. – С.3-7.
4. Інвестиційний клімат // Державне агентство України з інвестицій та розвитку [Електронний ресурс]. - Режим доступу : <http://www.ukrproject.gov.ua/news/%D1%96nvestitsiini-klimat-v-ukraini-2016>.
5. Інвестиційна привабливість підприємства. – [Електронний ресурс] – Режим доступу: http://otherreferats.allbest.ru/finance/00193318_0.html.
6. Калишенко В.О. Аналіз методичних підходів до оцінки інвестиційної привабливості підприємств. - [Електронний ресурс] – Режим доступу: http://www.rusnauka.com/13_NPN_2010/Economics/65704.doc.htm.
7. Методика інтегральної оцінки інвестиційної привабливості підприємств та організацій // Українська інвестиційна газета. – 1998. – 21 квітня.
8. Овдій Л.І. Оцінка привабливості підприємств за допомогою статистичних моделей // Економічні науки. – 2009. - № 4. Т. 2. – С.184-188.
9. Шилов Э.И., Кухленко О. В., Гойко А.Ф. Методы оценки эффективности и привлекательности инвестиционных проектов. – К: КГТУСА, 1996. – 91 с.

3.2. CORPORATE SOCIAL RESPONSIBILITY AND ITS INFLUENCE ON THE ECONOMIC RESULTS OF THE COMPANY'S ACTIVITY

Under the new conditions of economic development none of the economic entities can act as a separate self-sufficient system. Today a company or an organization is only the constituent elements of a complex and interrelated set of institutions. Society, public authorities, contractors and international organizations are interested primarily in the organization's responsibility for the impact of its decisions and activities on society and the environment through the transparent and ethical behavior.

It is confirmed by constant strengthening of the legislative requirements for non-financial reporting at the Country level (UK, Sweden, Spain, Denmark, France), at the European level (EU Directive 2014/95 on disclosure of non-financial and diversity information by certain large under-takings and groups (valid from January, 1, 2017) [3]), at the international level (International Standard for Integrated Reporting, developed by the International Integrated Reporting Council [7]). According to the expert estimates, a number of companies with non-financial reports will increase from 2000 to 6000 next year only in the European market, and the preparation of this report will cost about 5 thousand Euros (excluding the cost of the independent audit report). This Directive covers the companies with more than 500 employees, as well as public interest companies: public companies whose shares are traded on the stock exchanges; banks; insurance companies [3].

The importance of business social responsibility for ensuring sustainable development is undeniable. However, does the level of the company's social responsibility influence on the economic results of its activity? Is there a causal link between the amount of social investment and the volume of product sales? The issue of the possible benefits of socially responsible business is discussed by the scientists. Their points of view are often bipolar: the activities related to the corporate social responsibility are considered as irresponsible spending of corporate resources; a

source of disclosure of company's confidential information to insiders; confirmation of the direct relationship between the costs of socially responsible business and profitability of the company.

Leading companies have shown many times that corporate social responsibility is a significant resource which can create competitive advantages (attraction of highly qualified personnel, increase of the efficiency of sales, increase in demand for products, improvement of the company's reputation, etc.).

Socially responsible activities of a company should lead to some economic and social results and goodwill increasing [1, 6, 10]. The economic results depend on the profit from the conducting of social activities. Implementation of the corporate social programs can reduce the operating costs due to the increase of the company's margin profit. Participation in social initiatives allows to increase the value of the company's shares, provide additional ability to attract new investors. The indicators of increase in market share, sales volume and their diversification should be referred to economic results. Social business results can be determined as the following ones: availability of highly skilled workers (human capital) due to the lack of staff turnover; the increase in long-term plans and commitments, strengthening and expanding of partnership relations with buyers and customers. The increase of goodwill due to the implementation of CSR programs can be considered as the obtained economic benefits (competitive advantages) which are not shown in the account of the acquired investment object and are implemented in the non-material factors of the formation of the market value of the latter.

Theoretical and applied researches in the field of corporate social responsibility show the effects of various trends on a company's performance. The choice and formation of the optimal package of corporate social responsibility is of great importance. The high degree of flexibility in choosing of the most appropriate model for disclosure of non-financial information is provided by the Directive 2014/95 / EU. Companies can use national, pan-European or international approaches to the formation of non-financial reporting, for example, the UN Global Compact, Guiding Principles on Business and Human Rights, Organization for Economic Cooperation

and Development (OECD) guidelines for multinational enterprises, International Organisation for Standardisation's ISO 26000: «Guidance on social responsibility», International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy, Global Reporting Initiative guidance on sustainable development and/or other recognized international approaches according to the company's socio-economic strategy. As creating the company's own system of non-financial reporting is methodologically complex and expensive process, business representatives will make decisions to disclose such information on the basis of the regulated approaches.

The research results show a positive correlation between corporate social responsibility and economic results, showing the indicators of financial reporting of the companies' activities in socio-economic highly developed countries. The determined dependency in the areas which are being developed is different.

In addition to the level of social and economic development, a certain branch of the economy and the specifics of business entity activities also can determine the degree of relationship between corporate social responsibility and economic results.

Different areas of corporate social responsibility (ecology, resource conservation, social issues, etc.) are connected differentially with the indicators of economic efficiency. The same dependence is observed as a result of the time lag.

Beliefs and preferences of senior management also influence rather ambiguously on the efficiency of resource allocation depending on business entity socially responsible activity.

The impact of the determined factors shows rather ambiguous relationships between different areas of corporate social responsibility and economic results of the company's activity. This dependency in some cases can be characterized by the determined type of relationship, and in other cases – by the stochastic type. Its definition should be based on the long-term statistical monitoring data of all areas of the particular business entity activities. Thus, there is a growing necessity to develop the methodological tools for determining social and economic effects of the

conducting of socially responsible business at the level of a certain company as well as at the national and global levels.

The possibility to determine the results of conducting of socially responsible activities, their compliance with the stated objectives and the impact on the financial and economic activity of the company is an important issue. It is necessary to develop an appropriate methodical approach to promotion of the company's corporate social responsibility system and assessment of the efficiency of its implementation (Fig. 1).

A statement of the possible goals of the efficiency assessment of the activities related to the CSR is an important stage involving: assessment to determine the effectiveness of the use of the company's resources; assessment to determine the competitiveness of the company and its rating; assessment to determine the level of satisfaction and the needs of various stakeholders; assessment to determine the influence of socially responsible activity on the financial and economic performance of the company. Specification of the goals of the CSR efficiency assessing allows to select the appropriate method, develop a system of indicators, determine the requirements for the necessary incoming information, and draw correct conclusions in order to make rational management decisions.

Assessment of the results of the company's activity, that is, its efficiency is determined on the basis of a set of the performance indicators that show the degree of the satisfaction of external and internal needs (interests), taking into account the economic, social, fiscal, integrational, and other relative effects. In this context it is important to research the efficiency results of the corporate social responsibility system as an important structural element of management activities.

The first models of assessment of the company's activities that appeared in 1920s and spread to almost all countries with market economies were based only on financial indicators (e.g. multiplicative DuPont model or ROI indicator) [9, p. 59].

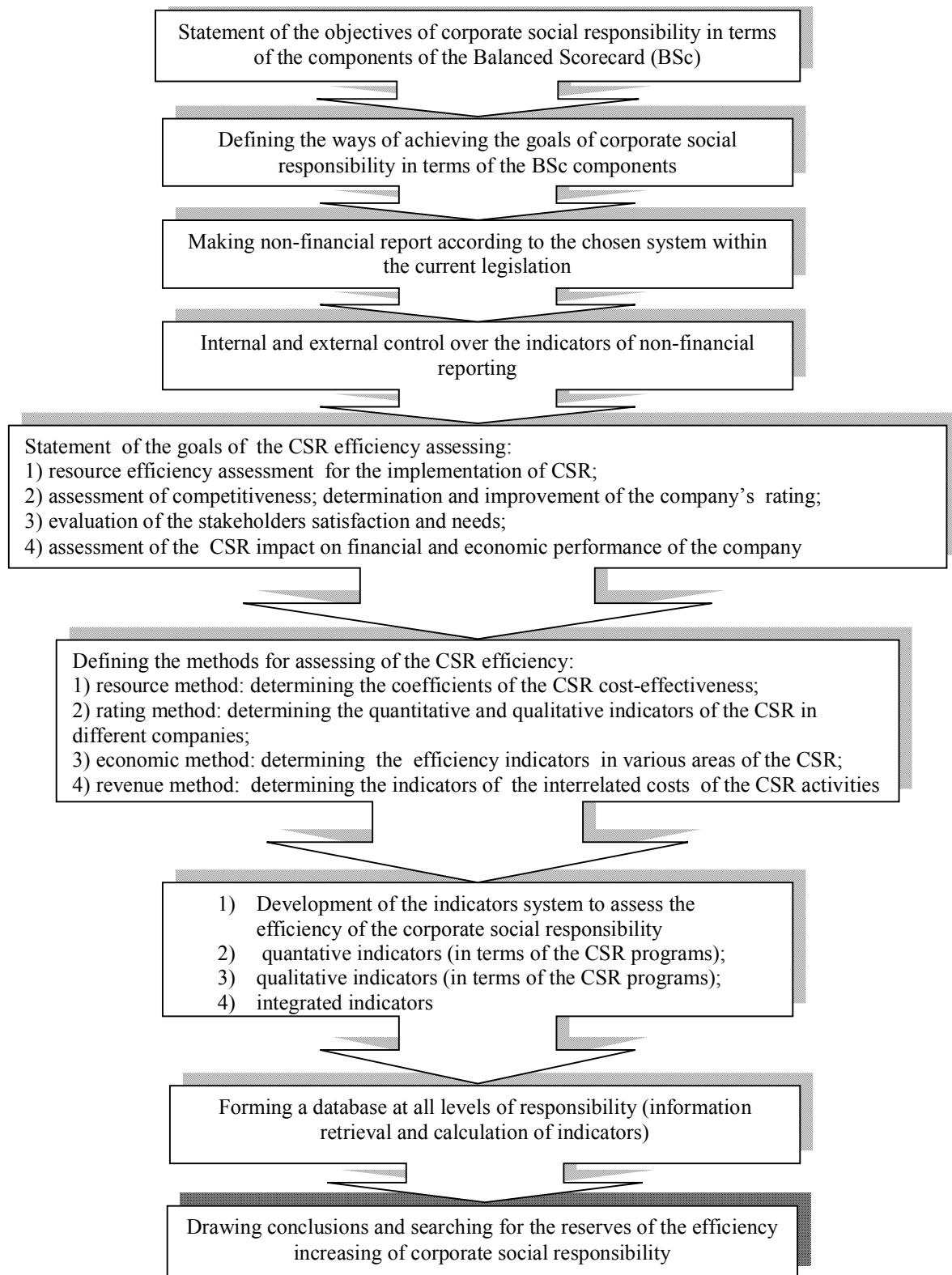


Fig. 1. Methodical approach to promotion of the company's corporate social responsibility system and assessment of the efficiency of its implementation

But with the time it became clear that traditional financial indicators couldn't objectively characterize the efficiency of the company's activity. This was mostly due to such global market trends as: market saturation and increased competition, the development of new technologies, increasing of the company's social responsibility to society, the development of international cooperation and globalization. As a result, management requirements for the systems of analysis and assessment of the activity results have changed [2, p.72].

During the tough competition (1950-1960) non-monetary indicators were often used in the systems of assessment of the company's activity due to the fact that the use of only cost indicators restricted the company's possibilities to implement the concept of the company management. During the development of entrepreneurship (1970-1990) the value of intangible assets had constantly increased in the total value of business, as these assets were crucial to the success of companies and organizations in a competitive environment.

The first system of financial and non-financial indicators of the assessment of the company's activity was developed in 1985 by Robert Freeman as the Accountably Scorecard (ASC). In this system the interests of different stakeholders (managers, employees, suppliers, customers and others) were interrelated.

ASC has been further developed as the concept of Balanced Scorecard (BSC) by Robert Kaplan and David Norton [5] in 1990. It expanded the concept of management technology according to the objectives formulated by P. Drucker.

Balanced Scorecard of D. Norton and R. Kaplan is based on the principle of measurement and assessment of its activity due to a set of indicators, selected to take into account all significant aspects (in terms of strategy) of the organization's activity (finance, marketing, production, etc.). Balanced Scorecard changes organization mission and overall strategy of the system into the system of interrelated indicators [9, p. 59].

Systems of assessment of the company's activities, built on the principle of the balance in major groups of indicators, are flexible and have a unique set of the monetary and non-monetary indicators. On the other hand, not all of such systems

indicators can be shown in the standard accounting financial and statistical company's reporting. So, the companies' reporting can be developed on the principles of management accounting.

To determine the impact of socially responsible activities on the company's activity results such indicators are used: above mentioned traditional financial indicators: Return on Investment (ROI), Return on Assets (ROA), Return on Sales (ROS), net profit (EBITDA) or similar modified economic indicators: 1) return on investment (the ratio between the cost of social policy and the capital gains, arising due to this activity); 2) the indicator of charity efficiency and other social programs in comparison with the efficiency of advertising, promotion, etc. (efficiency measurement); 3) process measurement (identifies the availability or lack of connection between social policy and the indicators of the major company's activity, but cannot show either comparative effectiveness or its quantitative expression) [4, 8], and more progressive systems of assessment of the CSR results according to the criteria of international indices: the index of sustainable development, Balanced Scorecard.

The latter ones allow to take into account the interests of various stakeholders, such as managers, employees, suppliers, customers, etc., and to develop a flexible system of financial and non-financial indicators, characterizing the economic, social and environmental efficiency of activities related to CSR. They influence on important activities in terms of strategy: production, finance, logistics, innovation, recruitment and social activity; in terms of four components, generating the strategy of the company: finance, customers and investors, internal business processes, training and development (Fig. 2). Research in this area is based on a comparison of financial and non-financial indicators of companies, actively engaged in social responsibility programs, with the indicators of companies with less social responsibility. The most convincing data can be received when the characteristics of the main activities of the companies, chosen as samples, coincide at most.

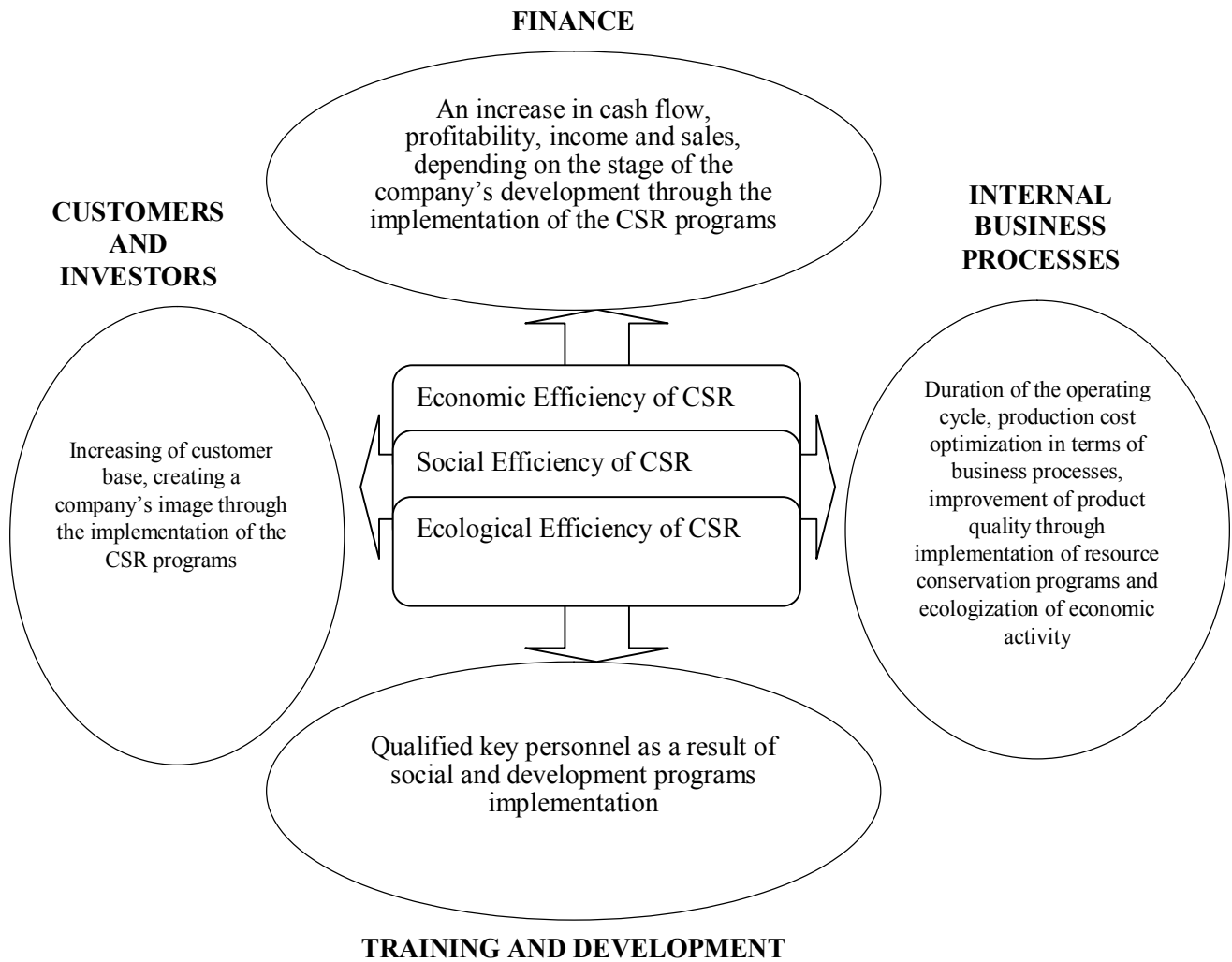


Fig. 2. A model of strategy map of the company's CSR influence on the results of its activity

In addition, the reliability of the received results depends on the veracity and impartiality of submitted reports. Therefore, it is necessary to determine the responsibility and develop a clear mechanism to ensure internal and external control over non-financial reporting.

Control activities should be carried out at all levels of management that affect the CSR performance of a certain company: operational management level (responsibility center, producing original information for non-financial reporting); top management level, involving financial control, risk management, ensuring conformity and similar functions that facilitate control over efficient non-financial reporting at the level of operational management and information sharing within the organization); internal auditing level, independently ensuring information reliability

to the governing body of the organization and senior management). Controls at the determined levels can ensure the reliability and impartiality of non-financial reporting in a certain company. Nowadays, the Directive does not require for the external control over non-financial information. However, there is a necessity to create a supervisory body which is responsible for the company's non-financial reporting. Currently, the process of financial reporting involves various organizational levels before it is accepted by the public authority. Although, external audit includes financial audit report, it cannot properly reveal non-financial information, as it depends on the terms of the contract with the audit company and requirements of national legislation.

The conducted analysis of the dependency of economic performance on the implementation of the CSR programs in certain companies showed the necessity to develop a clear mechanism of promoting a system of the company's corporate social responsibility and its efficiency assessing. Prior to this, it is necessary to state the goals and objectives of the company's corporate social responsibility promotion and its efficiency assessment. Specification of goals allows to select the most appropriate method, develop a system of indicators, determine the requirements for incoming information, develop a clear mechanism for ensuring internal and external control over non-financial reporting, draw correct conclusions in order to make sound managerial decisions.

Thus, there is an increasing necessity nowadays to develop sophisticated methodological tools based on the proposed methodical approach and a model of strategy map of the company's CSR influence on the results of its activity, developing a system of indicators to determine socio-economic effects of socially responsible business at the level of a certain company, as well as at the national and global levels.

References:

1. Ворона О. В. Методичні підходи до оцінки рівня соціальної відповідальності / О. В. Ворона // Вісник економіки транспорту і промисловості. – № 30, 2010. – С. 127–133.
2. Городничев А. Ю. Сравнительный анализ современных моделей анализа и оценки результатов деятельности предприятий , основанных на ККД // Аудит и финансовый анализ. – 2006. – № 4. – С. 72–79.
3. Директива 2014/95 ЄС щодо розкриття нефінансової і диверсифікованої інформації деякими великими компаніями і групами [Електронний ресурс]. – Режим доступу: <http://eur-lex.europa.eu/legal-content/EN/TXT/? uri=CELEX:32014L0095>
4. Ивченко С.В. Оценка влияния корпоративных социальных и благотворительных программ на показатели основной деятельности компании: обзор зарубежного опыта [Электронный ресурс] / С.В. Ивченко // Благотворительность в России: исторические и социально- экономические исследования. – № 2, 2003. Режим доступу: www.urbanecomomics.ru/publications.
5. Каплан Роберт С., Нортон Дейвид П. Сбалансированная система показателей. От стратегии к действию. – 2-е изд., испр. и доп. / Пер. с англ. – М. : ЗАО «Олимп-Бизнес», 2004. – 320 с.
6. Левицька Є. Г. Методичний підхід до розробки програми соціально відповідального управління підприємства сфери послуг / Є. Г. Левицька // Сталий розвиток економіки: всеукраїнський науково-виробничий журнал. – № 2, 2012. – С. 212–216.
7. Міжнародний стандарт з інтегрованої звітності [Електронний ресурс]. – Режим доступу: http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK.docx_en-US_ru-RU.pdf
8. Ненашев Н. Как оценивать эффективность корпоративных социальных программ / Н. Ненашев // Кадровик. Кадровый менеджмент. - № 10, 2008. – С. 23-35.

9. Пан Л. В. Збалансована система показників (Balanced Scorecard – BSc) як інструмент ефективного управління стратегією організації // Наукові записки. Національний університет «Києво–Могилянська Академія». – Т. 21: Економічні науки / НаУКМА; Редкол.: В. Брюховецький, та ін. – К., 2003. – С. 56–63.

10. Саєнко Ю. Соціальна відповідальність бізнесу: розуміння та впровадження / Ю. Саєнко. – К., 2005. – 30 с.

3.3. FINANCIAL REPORTS BY INTERNATIONAL STANDARDS: CONVERSION OR TRANSFORMATION

A number of researchers consider the problems of reforming the Ukrainian accounting system in their works. However, there is no unified approach to determining further steps of implementing such reforms. While most researchers emphasize the need to introduce IFRS in Ukraine, there are aspects that require further research, such as what place they would occupy in the system of national accounting, what the procedure for using UAS or IFRS for different groups of enterprises would be, how the accounting system would operate simultaneously on the basis of national and international standards and ensure the fulfilment of other objectives, including issues related to taxation.

The purpose of the investigation is to provide an assessment of positive aspects and complexities of IFRS implementation in Ukraine due to legislative changes, as well as to outline the challenges in reforming the national accounting system today.

The development and adaptation of the accounting system to the international approaches of registering the financial condition of economic entities is an important part of integrating the national economic system into the global economy. The particular transformational realities of Ukraine require reasonable and comprehensive assessment of the benefits of national integration into the international economic space. The international community pays particular attention to eliminating investment barriers in Ukraine, as investment activity is an important factor in further international economic integration of Ukraine into the global community.

Foreign investment are a tool that provides development and integration of the economy to the global level. One of the global economy's main features is its financial informative nature. Therefore, there is need to improve regulation of investment activity, which involves forming high-quality informative support for display of financial performance of companies. Undoubtedly, this will facilitate the raise in investments, for instance via international stock markets.

If we talk about the realities of modern economic development of our country, in particular the civilized progress of Ukraine's membership in the European Union, to a large extent, they also depend on the quality of accounting at domestic enterprises. Its main task is to form high-quality economic information necessary to meet the requirements of all user groups. Therefore, for the last decade the issue of reforming the accounting system has been given constant attention of scientists, practitioners, and governmental agencies that develop and implement legal documents. Particularly since 2006 Methodological Council for Accounting, acting under the Ministry of Finance of Ukraine adopted the strategic directions of accounting development in Ukraine. In addition, the Cabinet of Ministers of Ukraine on October 24, 2006 approved Strategy for Adoption of International Financial Reporting Standards in Ukraine (No. 911).

An important step in implementing the provisions of this document and in carrying out the chosen strategic direction of accounting in Ukraine was achieved when, on May 12, 2011, President of Ukraine signed amendments to the Law of Ukraine On Accounting and Financial Reporting in Ukraine (No. 3332-VI), which introduced article 12 “Application of International Standards”. [1]. Paragraph 2 of this article provides a list of companies that have to use IFRS for financial reporting, including public joint stock companies, banks, insurance companies, and companies that are doing business in sectors listed by the Cabinet of Ministers of Ukraine. All other enterprises under paragraph 3 of Article 12 of this Law can use IFRS for financial reporting and consolidated financial statements based on their own decisions. Thus, the regulatory framework for further reforms of the accounting system of Ukrainian enterprises based on IFRS was founded. However, due to the adopted amendments, questions arise about what is next, what the next steps are, and how these steps connect to the other measures aimed at reforming accounting in Ukraine.

Since the financial statements are the “calling card” of the company, while studying its performance one can make the necessary conclusions about the financial position, the success of their business and prospects of further development of this

business. Thus, potential investors are interested in the information contained in the financial statements. According to National Accounting Regulation (Standard) №1 “General Requirements for Financial Reporting”, financial statements are accounting reports, which contain information about the financial position, results of operations and cash flows of the enterprise for the reporting period.

According to the current legislation, preparation of financial statements and adjusting information according to statistical reports, prepared according to IFRS, is possible in two ways: the transformation method or the parallel accounting method.

Transformation (lat. Transformatio) – the process of converting one economic system into another, the thesaurus states the following definition of this process: a change, a conversion in type, form, or significant properties of something. The method of transformation in financial reporting involves implementation of measures to prepare major reports in IFRS format by grouping accounting information in accordance with the norms prescribed in the NAR(S). If the methods for assessing reports item contained in NAR(S) are consistent with IFRS, the transformation can be carried out on the basis of financial indicators, with NAR(S) taking precedence. The transformation process also requires the implementation of these complex measures:

1. **Methodological stage:**

- Analysis and adaptation of common reporting requirements in IFRS format, allowing for the specific company business practices;
- Comparative analysis of Ukrainian accounting standards and IFRS to identify differences in estimates;
- Consulting services on IFRS 1 “First-time Adoption of IFRS”;
- Preparation of accounting policies under IFRS.

2. **Transformation of financial statements in accordance with IFRS:**

- Comparative analysis of accounting policy, prepared in accordance with Ukrainian accounting standards and IFRS, description and adjustments;
- Gathering information required for transformation;
- Preparation of the report structure in individual order;
- Preparation of working documents;

- Making adjustments and classifying the existing assets and liabilities of the company;
- Balance sheet and Profit and Loss Account under IFRS and preparation of reporting notes;
- The Statement of Cash Flows.

3. **Additional services:**

- Preparation of additional sections of the reporting;
- Transferring report currency into the currency of the counterparty country.

If IFRS is used for the first time, you should also draw up an introductory balance and the balance for the beginning of the first reporting period under IFRS, as well as IFRS financial statements as of the reporting date. Unfortunately, there is no uniform methodology of transforming Ukrainian financial statements into reports that would meet International Financial Reporting Standards. In each case, it is affected by the specifics of financial and economic activity, peculiarities of accounting organization and accounting policy of the company.

In the transition to accounting and financial reporting in accordance with IFRS it is also necessary to make a comparative analysis to identify differences between Ukrainian accounting standards and IFRS in the estimates of balance items allowing for the specific business practices; conduct an analysis of financial statements prepared in accordance with NAR(S), for compliance with IFRS. Preparation of accounting policies under IFRS is also an important point. Implementation of these measures hereinafter will greatly facilitate the implementation and application of IFRS in the formation of financial indicators and reporting.

Considering conversion (from Latin *converto*, transform, change) of reporting as a significant transformation, we find that for effective introduction of parallel accounting it requires substantial investments. Conversion at the company involves implementation of double entry of information into two reporting systems or development of software that would provide for two types of reporting (IFRS and NAR(S)). Advantages and disadvantages of conversion and transformation are shown in Table 1.

Table 1

Advantages and disadvantages of conversion and transformation

	<i>Advantages</i>	<i>Disadvantages</i>
Conversion	The possibility of reporting under IFRS on demand, greater accuracy compared to reports obtained by transformation	The existence of fixed costs of parallel accounting
Transformation	Implemented using data obtained from the accounting system by the national standards. Conducted on demand and does not require fixed costs associated with maintenance of double accounting system.	The reliability of the information depends largely on the professional judgment of the accounting staff

Having considered the practical aspects of current legislation on reporting by IFRS, we would also like to note that, in general, the Amendments to the Law of Ukraine, associated with the introduction of IFRS were a very important and significant step in the development of the accounting and reporting system in our country and can, therefore, be considered positive. In the future it is necessary to:

1) create a legislative basis for wider implementation of IFRS in Ukraine, which would become the basis for improving the investment attractiveness of Ukrainian enterprises. Due to financial reporting under IFRS, economic entities get more opportunities to enter the international markets and attract foreign investment, as such financial statements are more informative and understandable for potential investors;

2) eliminate contradictions and unresolved legal regulations on the use of IFRS. The application of IFRS for financial reporting was sanctioned by the NSSMC resolution of October 30, 2010 № 1780 “On Approval of the Disclosure Procedure of the Public Joint Stock Companies Activities on the Basis of International Financial Reporting Standards”. At the same time, reporting under IFRS was to be in addition and in parallel with reporting by the NAR(S), as the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” at the time did not provide another alternative. Currently a public joint stock company may avoid the problem of duplication of reporting under different requirements of IFRS and NAR(S);

3) create conditions for improving the quality of the formation of accounting information for companies that will, both mandatorily and voluntarily, use

IFRS as a basis for accounting and reporting. At the same time, we should note that amendments to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” regarding expansion of grounds for IFRS use does not address a number of problems with the formation of accounting information faced by domestic enterprises.

At the stage of implementation of IFRS enterprises faced with a number of problematic issues associated with such transition.

First, the introduction of financial reporting under IFRS for 2012 implied the need to establish the date of transition to international standards as of 31.12.2010 to form the comparative information. However, a retrospective application of a number of standard requirements is a complicated process, especially with the specificity of management of Ukrainian enterprises, which is characterized by:

- availability, on the one hand, of a significant number of so-called “troubled assets”, on the other – a significant proportion of unaccounted ones in the balance of property sources and in the accounting of transactions;
- difficulty in obtaining particular historical information;
- difficulties in determining the ownership structure of companies;
- problems with the valuation of assets for their reflection in the reports.

Informal use of IFRS requires preparation on the part of the accounting staff, which, in turn, requires common action to assist in training and retraining from the state agencies, educational institutions and professional organizations.

We should note that most companies lack the necessary financial, technical and information resources for the transition to IFRS.

The list of problematic issues could go on, but we would like to focus on one aspect, which is the main “sticking point” in the way of widespread adoption of IFRS in Ukraine among those for whom the introduction is voluntary. There must be demand for the formation of IFRS reports from the real users in order to make their use for accounting and reporting purposes widespread in companies that are not public. Unfortunately, there is no such demand from business owners at present due to the low user trust to the indicators in the reports.

Summarizing the results of the study, we can conclude that due to amendments to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” from May 23, 2011, the legal basis for wider implementation of IFRS in Ukraine was created. These legislative changes are important, but only as a first step towards further reforms of the accounting system in Ukraine towards its approximation to European standards.

Further measures should encompass forming demand for high-quality financial information from the standpoint of potential and real owners. This can only be done by raising the status of the financial statements and transferring the priority from the challenges of fiscal nature to the purposes of reliability of accounting information and preparation of quality financial statements, based on which, through adjustments, tax returns may be prepared.

Certain number of issues requires further discussion among professional and scientific community and the general public, because on the basis of searching for the consensus of user interests optimal ways to further reform the accounting system of Ukraine can be uncovered. Realistic assessment of the current state of accounting and control system of domestic enterprises and the system of taxation leads to the conclusion that wider adoption of IFRS for financial reporting in Ukraine is a promising step. However, formation of a single and integrated information base for preparing of financial and tax reports cannot be done without making a number of additional decisions to solve the problem.

References:

1. Закон України «Про внесення змін до Закону України «Про бухгалтерський облік та фінансову звітність в Україні» від 12.05.2011 р. – № 3332-VI [Електронний ресурс]. – Режим доступу: <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=3332-17>.

2. Ловінська Л. Г. Реформування бухгалтерського обліку в Україні в контексті євроінтеграційних процесів / Л. Г. Ловінська [Електронний ресурс]. – Режим доступу: http://www.nbuu.gov.ua/portal/Soc_Gum/Foa/2009_13/13_32.pdf.

3. Голов С. Ф. Сучасний стан та перспективи розвитку бухгалтерського обліку в Україні: автореф. дис. на здобуття наук. ступеня д-ра екон. наук: 08.00.09/ С. Ф. Голов. – К., 2009. – 31 с.

3.4. IMPLEMENTATION OF INTERNATIONAL STANDARDS OF STATE FINANCIAL CONTROL

The signed Agreement between Ukraine and the European Union in 2014 identified the need to reform the control in the public sector to international standards. The most noticeable consequence of introducing the standards is improving standardized activity process which arises from previous to introduction of systematization, rationalization and optimization of control procedures and processes. Standards are aimed at close supervision providing the achievement of clearly preset parameter set of procedures. This is important especially in applying them to the control function of state administration, for which the observance of the set procedures presents a main and inviolable requirement.

The standards also help spreading common language and common approaches help to avoid differences in interpretation of the same facts, which has first importance for the presentation and interpretation of financial statements, for internal use within the institution and to interested external users with account that in case of public sector, parties concerned are all citizens of the country.

Standards provide management transparency and accessibility of information. No wonder that the criteria of informative exchange standardization plays a large role in our «informative society». The enormous volumes of information and multiplicity of its sources must be balanced by the measures of providing reliability and integrity of data, and also existence of appropriate communication environment, which corresponds to requirements in information and, simultaneously, guarantees a controlling and accountability. These tendencies are confirmed by a circumstance that the parties of economic activity in the reports pay more special attention to such questions, as conscientious management and corporate social responsibility, namely factors, that determines input of organization in providing its workers prosperity, natural and social environment.

In the field of state finance and accounting standardization is the prominent condition of achievement of the accountability of Government and ministries. Only

strict application of standards can provide adequate interpretation and estimation of information about work of state economy sector. The work of Government would not be possible without standardization. So in fact standardization is incompatible for work of any regular democratic state. The accounting and audit process came to standardization in state sector and foreign countries in Ukrainian tested substantial development.

In recent years market economy continues to cause big pressure on a state sector as a result of going on internationalization and globalization of economy. A financial crisis gave a new shove to introduction of standards, as the necessary condition of mutual understanding and dialog on the interstate and international level.

In the conditions when authorities should prove to the market, that the financial condition is stable, a function control becomes a determining factor of confirmation for this. There are numerous documents, new mechanisms of reflection and deficit coverage and national debt which are developed in current documentation, severe mechanisms of monitoring and control of administrative vehicle are set unprecedentedly for this purpose. All these measures require application of common approach to all financial institutes for the estimation of financing.

Today's crisis attracted general attention of financial statements' transparency both of private enterprises and state institutes.

In terms of national debt, a crisis showed that transparency should be examined as substantial important precondition, without which trust to the given information and, accordingly, to the extraordinary measures which are accepted by the states, will be shattered.

Increased transparency of public finances in recent years made a positive impact on the crisis.

In October, 2012, coming forward on the General assembly of United Nations with a lecture on «Initiative from advancement of transparency and accountability by strengthening of audit of state finances» the Secretary general INTOSAI Dr. Josef MOSER marked that in a crisis situation citizens show more strict requirements to the

government finance control, which would be impossible to apply without using professional standards, which define appropriate work of INTOSAI.

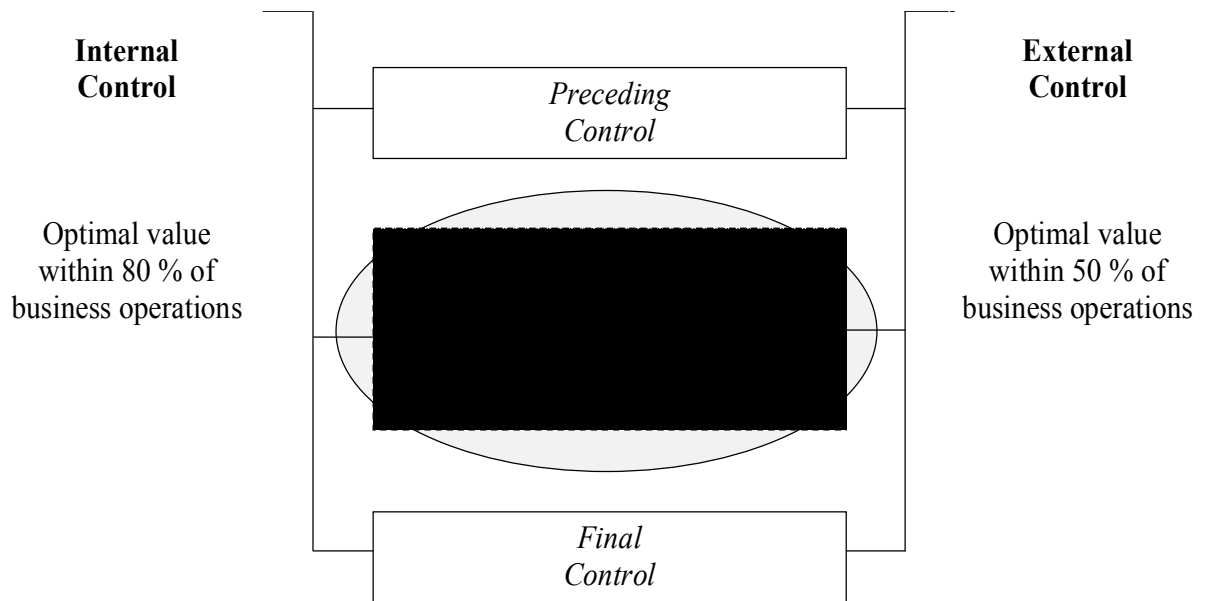


Fig. 1. Performance of Internal and External Control in Public sector thru Preceding, Current and Final control procedures

The themes of XXI Congress of INTOSAI, which took place in autumn 2013 in Beijing, confirm the interest all over the world to the questions of financial crisis which were: «State audit and conscientious management» and «Role of INTOSAI in support of long-term firmness of financial policy of the state».

As a part of International standards development of accounting in a state sector (IPSAS) the Committee on state sector of the International federation of accountants (IFAC) released the set of recommendations to the measures providing long-term viability of state finances.

With transformation of national debt to major ingredient of the international financial system, the problem of control of state finances became more urgent. Audit of the financial reporting and uses external rating of such information turned into instruments which determines and forecasts the future condition of state finance the ability of the state to be in charge of its liabilities.

The problem of state debt has become very important, because of high pressure in EU. There is a threat of failing attempt to put under control a federal deficit

because of the sharp increase in financial charges from covering. It requires such government spending cuts, which in number of cases may be characterized even as violation of rights, important for the state wealth.

Performing prioritized task of cutting off state charges and with it maintaining general wealth, which reflects condition of state finance and requires more transparency. An effective management of the state sector is possible only at presence of the appropriate state financial control, based on general standards and system of economic criteria.

If the necessity of such adjusting and control were clear before, in the years of the economic growth state finances and economy, on the whole, there would not be in such difficult situation. Close interdependence between state finance and private banks causes mess and interlace of interests, which are very hard to overcome. The role of state bank, which is today executed by the Government treasury service of Ukraine, does not solve problems of budget implementation especially in the conditions of financial resources deficit.

This is the reason why in the conditions of crisis first there was a necessity to introduce international standards of record-keeping and corporate sector audit, in a state sector it was application of national standards of accounting, compiled on the basis of international. In result, control procedures compiled on formed accounting of budget establishments, use of money on the budgetary programs must be regulated also according to the standardized approach, to provide their transparency. Today it is one of main requirements, which are given to the state, which applies measures on strict economy of costs and national debt and allows to give more clear and reliable information about regarding state finance, which is necessary for recovering global trust to the existing economic system and state administration.

The process of standardization of record-keeping and auditing in state and private sectors confirms the importance of these procedures and they close interrelation, and also about the necessity of search of new directions and spheres of activity, which correspond the evolution of the economic systems.

In relation to this South African declaration, dedicated to the International standards of INTOSAI, accepted on XX Congress of INTOSAI in Johannesburg, became the background to the development of state financial control standards. According to provisions of Lima and Mexican declarations, this new declaration of INTOSAI acknowledges a right independently to determine the policy of standardization as a part of national legislation and own plenary powers after each body. Declaration calls to use ISSAI as general concept for state financial control and audit.

Standards help to plan and conduct audits and their usage provides professionalism and high quality of control results, sequence in presenting these results to the society. At the same time, standards not only set the correct procedure of state financial control and audit but also strengthen these functions in the system of democratic institutes of state administration.

Standards help to achieve common aims for all government bodies of transparency and reporting. Achievement of these aims requires independence, objectivity, high qualification and keeping ethics norms. The results of state financial control and audit must be based on application of common procedures and methods, and also sufficient evidences which enable to state inspector or public accountant to express logical and competent opinions in the report.

Society has a right to get current information about quality of state administration. Top government of financial control is responsible for giving this right, which must provide high quality of the given information.

It should be noted that in Ukraine certain steps are done in introduction of international standards control of INTOSAI, internal standards of state auditing to the sector and conceptions of COSO in relation to the construction of the internal control and risk management system in state enterprises of state sector administration. According to law adopted by the Ukrainian Ministry of finance all enterprises report according to the international standards of financial accounting and from the decisions of Accountant Chamber of Ukraine are used last 9 years as international standards of audit. However the question of system standardization of state financial

control remains open. Especially it concerns the standards of external state financial control.

Up to now problem of national standards of financial control codification is not solved, which were already accepted and used in practice by the Chamber of Account in Ukraine and State Financial Inspection of Ukraine which negatively affects the efficiency of management in the state. Moreover, underestimation of system approach role to the development of domestic standards of financial control with common and maximally take into account the features of the domestic system of state finances, influences on his effectiveness, results in unproductive financial and labor charges.

The fact that operating standards are not systematized, negatively affects their usage, limits an application of those or other standards domain only by the scopes of certain types of control and supervisory subjects, and, moreover, results in ambiguous interpretation of separate situations which arise up during control activity.

To form integral system of national standards' state financial control it would be justified, from the point of exception of duplication and parallelism, to set up (on the public issues) a committee, group or advice which in a Ukrainian scale would engage in coordinating development of standards' state financial control.

The process of unifying of the state financial control standards and audit is directly related to those changes in a world economy, which take place as a result of its globalization, is best observed in the sphere of international intercommunications in relation to a state audit. Globalization means identicalness and transparency of application in the different countries of principles and record-keeping, which the financial reporting is formed in accordance with substantive provisions and procedures during realization of control activity.

In the book-keeping and budget accounting control function is mostly used, that is why indexes of accounting and financial reporting, made on their basis, are the informative source of financial control and in an aggregate with form a high-quality informative base, necessary for the acceptance of administrative decisions.

There is growing demand on financial information on the wide circle of current indexes from the side of bodies which make these decisions. Every year the need for the corporate and public sectors in services, confirming the accuracy of this information lead to the fact that they achieve the required transparency and integrity of financial statements. Moreover, the necessity of creation unique international standards is dictated by state activity of international economic cooperation, which showed excellent results. The standards of record-keeping in a state sector and state audit are used to highly reduce the risks users of indexes the budgetary accounting, and also remove those differences in national standards, which affect negative character openness of information. In other words the purpose of record-keeping standards in the state sector of economy is important for making decision information about the property and financial state of managers of budgetary facilities. Such information must be clear, comparable, substantial and reliable, characterized by plenitude and be based on economic approach, the purpose of international standards of state financial control of INTOSAI is providing standardization of control activity and increase of trust to its results. So the international standards of control, determining the fundamental methods of financial control, help to the increase its quality according to changing requirements of control activity, and also set the directive pointing orders on special questions of control and state audit.

At the same time starting to use international standards' state financial control and state audit by Ukraine in control activity. It is stated standards, that it come forward only as basis for development of own national standards. And none of the developed countries in the world uses them fully as national standards. The international standards of state financial control and state audit should be to examined only as a starting point for preparation of the clear system of its, national standards which correspond to the requirements.

There are no doubts that for accounting services it is necessary to make generally accepted norms for regulating the activity of independent auditors, their relations with the objects of audit on the closest to international standards level.

There must be the closest possible regulation bodies activity of state financial control to the international requirements.

Regulation of the state financial control activity it is establishment of norms, provisions, rules and procedures, executed properly in form of those or other standards an observance of which is obligatory for all public servants of the noted bodies.

Standards of state financial control are basis for auditing and expertly-analytical activity of supervisory bodies, quality and reliability.

In many developed countries activity of state financial control government is also standardized, as well as public accountant activity. Thus, the standards of state financial control are quite similar to the standards of audit, carried out in a private sector, but the last are more detailed.

In the US and European countries the national standards of state financial control, the procedure of their realization are developed by higher supervisory bodies. For example, USA Government Accountability Office, worked out standards for the audit of state organizations and government programs. However according to requirements of the current American legislation the noted standards must follow not only federal inspectors but also public accountants people who carry out the corporate control.

The importance of standardization of state financial control is substantial, because INTOSAI accepted a number of standards of control activity, which were recommended for application of control in different countries.

INTOSAI standards, primarily aimed at the unification of state financial control bodies in different countries in order to increase the effectiveness of international cooperation in the fight against corruption, financial fraud, misappropriation of public funds.

International standards have recommendation character, and countries independently make decision about their use. But as international standards it is the generalized result of functioning in the most developed registration and control

systems of the world (American and European), it's quite obvious, that a blind printing-down can negatively affect national practice.

The international standards of state financial control are worked out from public interests and on condition of their correct application provide responsibility at presenting financial reporting, its transparency, clearness and comparableness. They conquered the deepest proof among professional organizations and specialists. The international standards of state financial control comprise basis for its organization and methodology which the national financial control system must be based on.

The national system of financial control of any country is the complex of norms and rules, which regulate the mutual relations of supervisory body and controlling object, the features of which are determined by a legislation and culture of the corresponding state. The standards of financial control open the essence of this system: they determine the methods of realization of control actions, raising from principles of legality, objectivity and responsibility. Only the open system of control standards can evidently show how effective built is state financial control system.

Thus, requirements for realization of audits of budget establishment must be identical, clear for users and public. Also these requirements must be executed as corresponding standards, grouped after characteristic by the system signs in the only codification field.

In our opinion, it would be clever and justified to set up a committee (advice) which on the public issues would engage in the development of financial control standards in a national scale. To work in this commission it is possible to attract research workers, members of public advices at supervisory bodies, members of professional public organizations.

A commission or council of standardization of financial control must enable to:

- create full time or temporal groups on developing standards;
- to attract to this work educational institutions;
- coordinate work on standardization of state financial control, internal control and audit;

- to observe if all standards are clear and understandable, and accessible for the controlling bodies;
- to observe if they are concerted and have clear hierarchical structure.

As that process of standardization of financial control of the essence the phenomenon is permanent, standards must be regularly analyzed for the topic of their accordance to the terms which were changed, to the requirements, tasks and if necessary looked over in the operative order. Moreover, for the developers of standards there must be close and adjusted intercommunication with the direct contractors of audit and analytical measures, to have the opportunity to react on that quickly enough or other situation which requires the standardization.

References:

1. Act of Ministry of Finance of Ukraine. (2011). «Pro zatverdzhennja Standartiv vnutrishn'ogo audytu». 04.10.2011 № 1247.
2. Ansel M. Sharp. (1998). Economics of social issues by Ansel M. Sharp, Charles A. Register. Eight editions. Irwin. 1998. 413p.
3. Biluha M.T. (2006). Finansovyj kontrol: teorija, revizija, audyt: Pidruchnyk. Kyiv: Ukrainian Academy of Original Ideas, 2006. p.328.
4. Bloem, Adrian M. (2001). Manual for quarterly national accounts: concepts, data sources and complication. International Monetary Fund. Washington. 2001. 549p.
5. Chugunov I.J. (2009). Derzhavnyj vnutrishnij finansovyj kontrol: strategija rozvytku. Finance of Ukraine. 2009. № 4. pp. 3–12.
6. Drozd I.K. (2007). Derzhavnyj finansovyj kontrol: navch. posib. Kyiv: Imeks-LTD, 2007. 314 p.
7. Government Act of Ukraine. (2011). «Dejaki pytannja utvorennja strukturnyh pidrozdiliv vnutrishn'ogo audytu ta provedennja takogo audytu v ministerstvah, inshyh central'nyh organah vykonavchoi' vlady, i'h terytorial'nyh

organah ta bjudzhetnyh ustanovah, jaki nalezhat' do sfery upravlinnja ministerstv, inshyh central'nyh organiv vykonavchoi' vlady». 28.09.2011 №1001.

8. Gucalenko L.V. (2009). Derzhavnyj finansovyj kontrol : navch. posib. Kyiv: Center of educational literature, 2009. 424 p.

9. Edward B. Deakin. (1987). Cost accounting by Edward B.Deakin, Michael W. Maher. Second edition. BPI-Irwin. 1987. 711p.

10. Financial Management. (1987). Handbook a Gower press. UK. 1987. 398p.

11. Financial Reporting by Public Sector Entities. (2012). Available at: <http://www.ifac.org/>.

12. Gary W. Cox. (2007). Legislative Leviathan: Party Government in the House Second Edition McCubbins. Cambridge University Press, 2007.

13. Government finance statistics. (2010). Eurostat. Luxembourg: Publications Office of the European Union. 2010. №1. Available at: <http://epp.eurostat.ec.europa.eu>.

14. International Journal of Government. (2002). Auditing. 2002. July. Available at: <http://www.intosai.org/uploads/3200207e2.pdf>.

15. ISSAI 300 Performance Audit. (2012) Available at: <http://www.issai.org/media/69911/issai-300-english.pdf>.

16. ISSAI Executive Summaries. (2013). Available at: <http://www.intosai.org/issai-executive-summaries.html>.

3.5. ALTERNATIVE SOURCES OF FUNDING INNOVATION PROCESSES AND THEIR REPRESENTATION IN ACCOUNTING

In the current economic conditions it is important to look for alternative sources of funding innovation activities of the enterprise. The main source of covering of innovative payments for the implementation of innovative projects and programs are capital or operating costs. However, modern economic theory stipulates that profit is the main source of expanding production and considers reinvestment as the transformation of retained earnings in fixed assets. Therefore, analysis of existing accounting methods of creating special reserves to expand production, innovation and technological development in order to rationalize the production process and marketing of products according to existing legislation and regulatory acts requires new research and ways of improvement.

The works of V. I. Bachynskiy, O. O. Ilchenko, O. V. Kantaieva, M. D. Korinko, Ya. D. Krupka, I. V. Melnychuk, O. V. Minakova et al. are devoted to the problems of organization and methodology of accounting funding sources of innovation processes in the enterprise

Unresolved remain issues concerning the accounting methods of alternative ways of funding innovation, particularly in terms of accounting the formation and use of special reserves of innovative development for effective innovation management in enterprises.

The study aims to determine the theoretical approaches and on that basis develop scientific and practical recommendations for improving the methodology and organization of accounting calculation special reserve for innovative development.

Innovative enterprises require the management to accumulate and use additional information about unconventional subjects (innovations, reserves of accumulation and upgrading production technology, new resources, processes) with the ability to manage innovation processes and make appropriate management decisions. There are increased requirements to information resources on traditional accounting objects (finished products, processes, resources, costs, income, capital,

market research), which characterize the individual qualities of the enterprise, its economic potential and opportunities of innovative development.

In times of the command economy expenditures on innovative measures were accumulated on a separate sinking fund, which increased in proportion to depreciation of equipment and the amount of share capital was reduced at the same time by the same amount. This technique operated until 2000. With the introduction of national accounting standards such mechanism of formation of innovative investment resources was canceled. Under the provisions of accounting, depreciation is a separate element of the operating costs and shows how much of the initial value of non-current assets is classified as production costs in the reporting period.

In addition, the Law of Ukraine «On investment activity» stipulates that investment activity can be carried out using own financial resources of the investor (profit, depreciation expenses, recover of damages from accidents, natural disasters, cash accumulations and savings of citizens, legal entities, etc.), lending financial funds of the investor and free and charity donations and others [3].

So, this regulatory document stipulates that depreciation expenses are a source of covering the innovative costs, contrary to the principles of national Regulations (Standards) of Accounting of Ukraine, which does not provide for a direct write-off amortization accumulation on innovation or other commercial purposes. These expenses can be accounted for in a separate off-balance account «Depreciation expenses», which should reflect all amortization amounts to be used by an enterprise with innovation and investment purposes.

An alternative variant of innovative development of an enterprise, which will provide continuous renovations and product development would be reserve funds in special accounts for use on innovation purposes. The level of development of the enterprises will be subject to strict planning of innovation policy in the enterprise and will not obstruct its stability.

That is,

$$Y = f(x_1, x_2, x_3 \dots x_n), \quad (1)$$

– де Y – level of innovative implementation,

f – function,

x – amount of income to the reserve fund for innovative development in different reporting periods [4, p. 96].

Provisioning of innovative development will enable the enterprise to accumulate circulating assets in order to allocate their consumption in the process of renovating production (Figure 1).

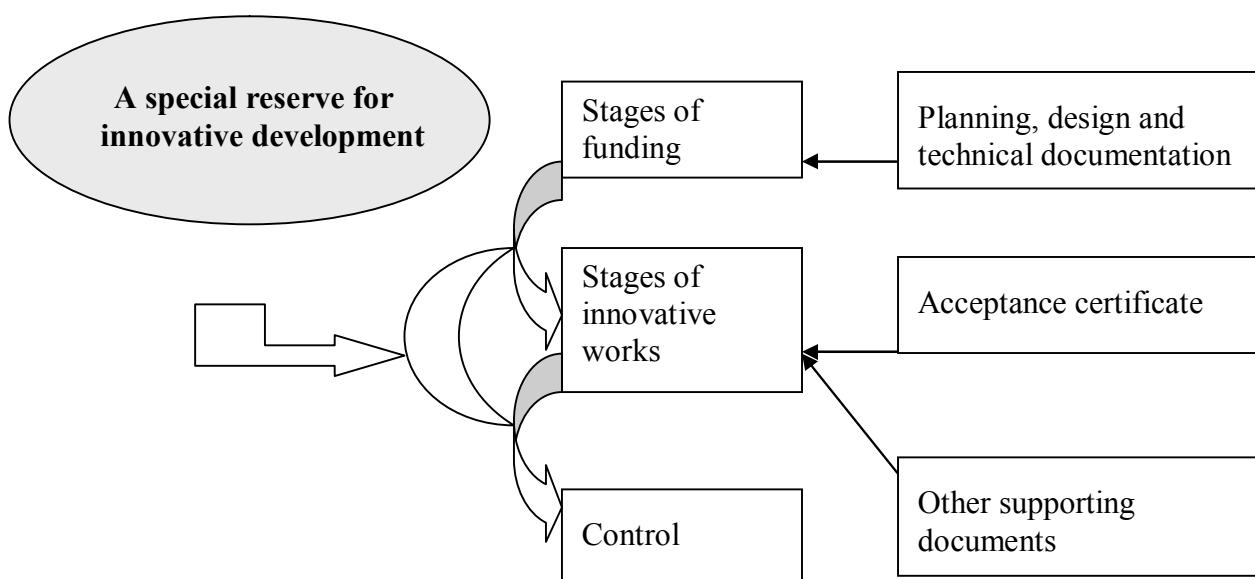


Fig. 1. The financing of innovations of operational nature through special reserve

It is important not only to increase innovation costs, but also efficiency of their spending on innovation investment, increasing the competitive position of the enterprise. Improving the quality or economic characteristics with sufficient innovation will provide a quick return and reduce the cost of innovation, especially in a situation of shortage of working capital in enterprises.

Below we consider options for accounting special reserve for innovative development (Fig. 2).

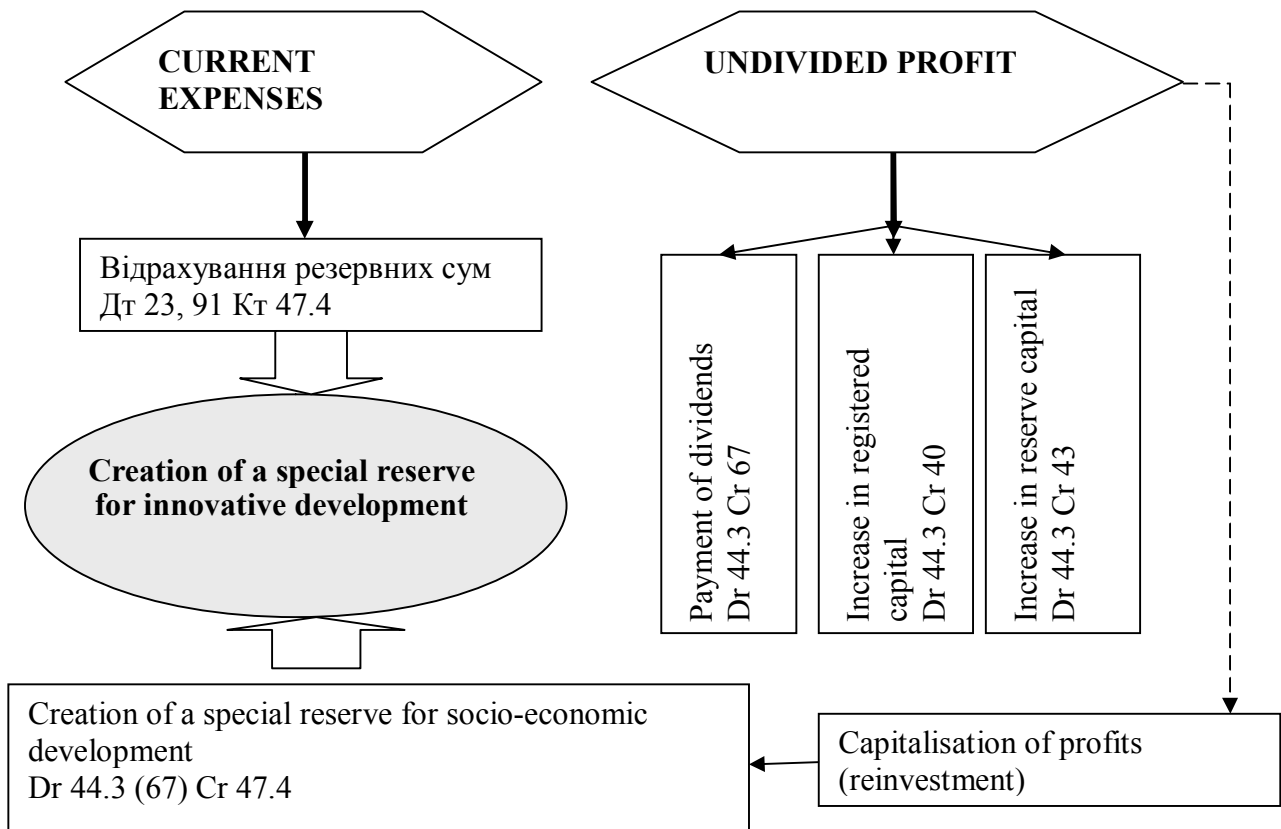


Fig. 2. The mechanism of creation of a special reserve for innovative development

One of the sources of accumulation reserve amounts for conducting innovative activities are current expenses of the enterprise. This means that all innovative payments are reflected in operating costs accounts through the gradual accumulation of a special reserve for a relevant use. Repayment of innovation expenditures is carried out by debiting the reserve amounts, for which a preliminary reservation of funds with the creation of a relevant provision (target reserves) to finance innovative projects and programs was carried out earlier.

Another alternative option is the capitalization of profit, that is reinvestment with the creation of a special reserve for innovative development. This option of covering innovation expenses requires profitable production of the enterprise, because if there is no undivided profit it is not possible to form and accumulate reserve funds for such purposes. In addition, it is necessary to make a provision for

the availability of such reserve funds, percentage of reserve amount payments and procedure for their write-off in the accounting policy of the enterprise.

In addition, it is necessary to organize accounting reserve for innovative development of the enterprise. It is reasonable to distinguish the accounts of the third order for subaccount 47.4 «Coverage of other liabilities and charges»:

47.41 - purchase of innovative equipment;

47.42 - creation of new production equipment, production lines;

47.43 - improvement of production equipment;

47.44 - acquisition (creation) of innovations of intellectual nature;

47.45 - other costs related to the innovation process.

It is also necessary to develop steps for the organization of analytical accounting of such reserve with specifying statement of accounting reserve amounts and the amounts of accumulation and payment.

Instruction No. 291 does not provide for a method of direct use of undivided profit for reinvestment [2].

Reinvestment is the distribution of profit of the reporting period after the payment of tax, which is returned from working capital to the fixed assets into more efficient assets (new technologies, modern production equipment, etc.) and not paid to its owners as dividends. Therefore, increase of fixed capital through the use of undivided profit for the innovative development of the enterprise is considered to be the starting point of economic reforms.

The problem is that according to Regulations (Standards) of Accounting of Ukraine «General Requirements for Financial Reporting» either the amount of profit, which can be directed to the payment of dividends is displayed in the article «Undivided profit (uncovered loss)», to increase nominal capital or to increase reserve capital, or the amount of uncovered loss [1]. Thus, the current method of accounting profit distribution eliminates the possibility of direct income capitalization for the purpose of reinvestment (Fig. 3).

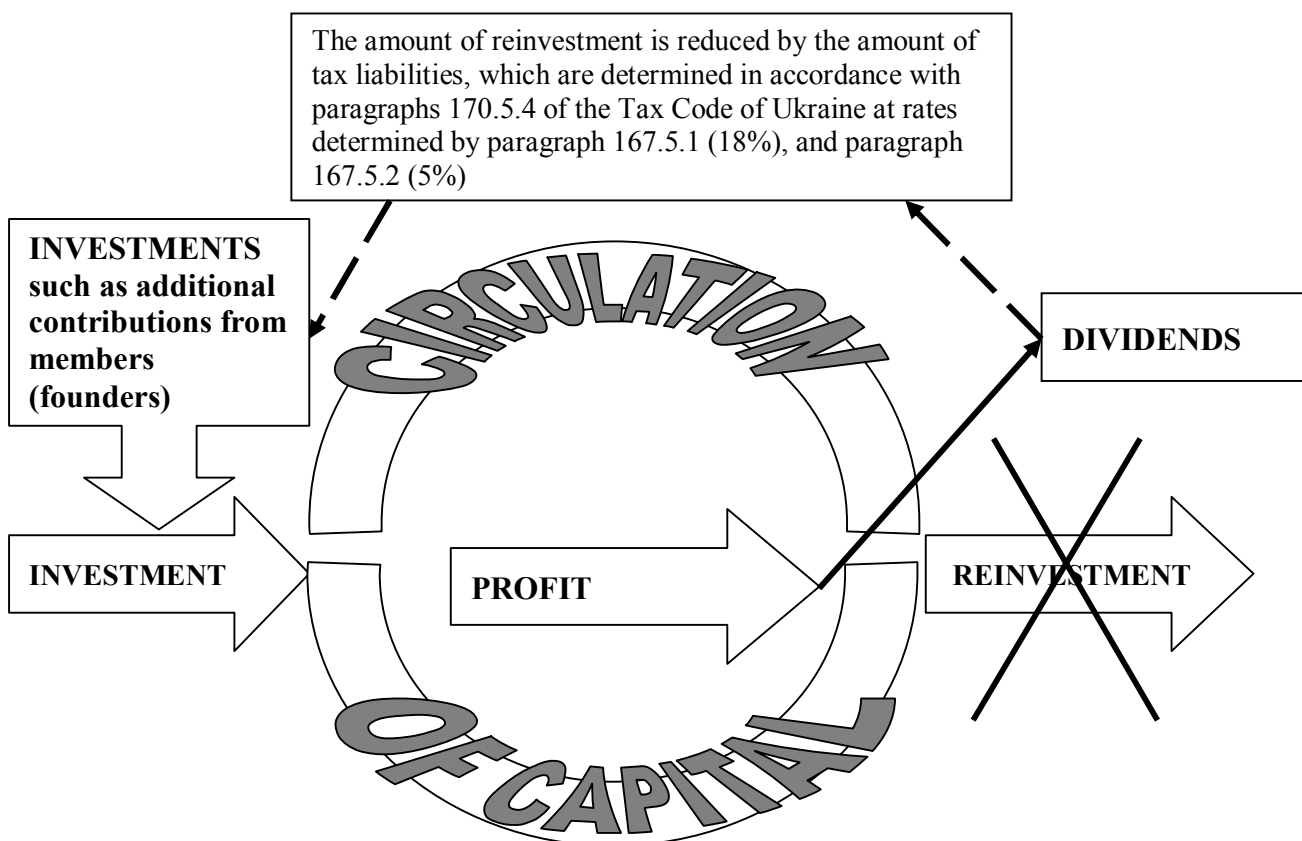


Fig. 3. The procedure for assimilation of profit into the capital of the enterprise

Innovation and associated activities is a multistage process and has no clear boundaries, since the initial stages it interacts with financial activity (when attracting debt capital in the process of innovation implementation) and investment activity (when extracting and selling investments), according to the extent of implementation - with other operating activity (at the stages of applied research and technical development) and operating activity (when manufacturing innovative products). Also, sometimes these stages are reduced, their sequence, objects and sources of funding are changed. That is when the structure of the innovation process changes.

In the process of operational activity new resources are involved, competitive products of innovative nature are manufactured, management and sales processes are improved for effective operation of the innovation process subject. At the final stage innovation need to be upgraded because of the moral and technical depreciation, and then the search of the newest must be repeated to ensure growth of the company.

These actions are cyclical in nature, reflecting the process of reproduction. Underestimating this can lead to the fact that the company will be forced out of markets, and it will not allow to achieve the main goal, which is ensuring profit.

Another issue is that balance sheet profit does not always correspond to the required level of working capital, which can be used for the innovative development of an enterprise. Thus, when investing in other enterprises, which use the equity method of accounting in accordance with Regulations (Standards) of Accounting of Ukraine 12 «Financial investments», the investor is entitled to receive double benefits in case an enterprise he invested in makes a profit. However, the increase of income from capital participation improves results from financial transactions, but not in the form of a cash payment, but by increasing the book value of long-term financial investments. Essentially this means that the economic benefits of this investment is to increase the balance-sheet total and strengthen the investment attractiveness of the enterprise by indicators such as the amount of fixed assets and the amount of retained earnings in equity, but the increase in working capital cash flow does not occur. Also, if invested enterprise determined to pay dividends, the investing company reduces the book value of long-term financial investments within their share in dividends.

It is recommended to improve this accounting practice given that the main aim of obtaining profit is creating added value, which should be at least partly directed at the development of an enterprise, and in particular at carrying out innovative measures. We believe that in a highly competitive environment, it is advisable to reserve a portion of profits for innovative purposes. In addition, this methodical approach to accounting company profits as an additional source of funding innovative development is consistent with its economic nature. The procedure for reinvesting profits in order to accumulate funds for creation of a special reserve for innovative development in joint stock companies may be decided at the meetings of the shareholders, the founders with the participation of representatives of employees. In the private sector and in case of small business, where the company founders are its employees, such reserve of funds is decided by a majority of the founders (participants). Thus, the provision of innovative processes is carried out in the

enterprise by covering innovation expenditures from current expenses and capital investment, and the alternative is to create a special reserve for innovative development by 1) allocations of current costs, or 2) deductions from profits.

The analysis of accounting methods of covering the innovative expenses in the process of innovation showed the need to expand and use the alternative sources of financing of innovative projects and programs. Accumulating amounts for the creation of a special reserve for innovative development will help generate alternative sources of covering innovation expenses for implementation of technological development of the enterprise in a competitive environment. In addition, profit, aimed at creating special reserves for economic and social development of the enterprise, is the source of investment in production and technological renovation, promotion of scientific in order to produce innovative products.

References:

1. Національне Положення (стандарт) бухгалтерського обліку 1 «Загальні вимоги до фінансової звітності» Наказ Міністерства фінансів України № 73 від 07.02.2013 р. [Електронний ресурс] – Режим доступу: <http://zakon2.rada.gov.ua/laws/show/z0336-13>. 39.

2. План рахунків бухгалтерського обліку активів, капіталу, зобов'язань і господарських операцій підприємств і організацій та Інструкція про застосування Плану рахунків бухгалтерського обліку активів, капіталу, зобов'язань і господарських операцій підприємств і організацій – Наказ Міністерства фінансів України № 291 від 30.11.1999 р. [Електронний ресурс]. – Режим доступу: <http://zakon3.rada.gov.ua/laws/show/z1557-11>.

3. Про інноваційну діяльність – Закон України № 40-IV від 04.07.2002 р. [Електронний ресурс] – Режим доступу: <http://zakon4.rada.gov.ua/laws/show/40-15>.

4. Мельничук І. В. Облік і аналіз інновацій у сфері випуску та збуту продукції текстильної промисловості: дис. ...к.е.н.: 08.00.09 / І. В. Мельничук. – Тернопіль, 2011. – 253 с.

3.6. BUSINESS MERGING METHODS: DOMESTIC AND FOREIGN PRACTICE

Association of companies as a form of business reorganization acquires new peculiar significance in modern conditions of Ukraine's orientation to the European market and foreign investors' interest in domestic production capacities. The very form of reorganization is able to attract foreign investors through the transfer of a share into the domestic business, to diversify lines of supply of raw materials and energy resources, to minimize production costs (especially labour costs) and to expand markets for products that would increase revenues from implementation. In addition, the joint companies have the best opportunities to increase production and their profitability. Finally, despite some shortcomings, such as the partial loss of autonomy and flexibility big enterprises are more competitive and resilient to market fluctuations.

One of the most important issues in joining businesses is the choice of form of reorganization. The use of one or another method to combine enterprises makes significant impact on assessment system and consolidation of the combined entities on a single balance.

The main problem of the association form choice is the lack of unambiguity in their treatment in both domestic and international practices.

The main regulatory instrument governing the accounting and reporting of reorganization by association in domestic legislation is Regulations (Standard) of Accounting 19 "Association of Enterprises" (R(S)A 19). According to the before mentioned R(S)A up to 2008 there were allocated the following forms of restructuring as:

— merger, i.e. an association of enterprises (by creating new legal entity or joining companies to the parent company), in which the owners (shareholders) of the companies, which are being united, will carry out control over all of the net assets of the combined companies to achieve further sharing the risks and benefits of unification. In this case, neither party can be identified as the acquirer;

— acquisition, i.e. an association of enterprises in which the buyer acquires control over the net assets and operations of other companies in exchange for the transfer of assets, assumption of liability or issue of shares.

This standard recognizes and regulates association of enterprises only in the form of merger or acquisition after the changes introduced in 2008. In addition, there is no strict interpretation of these forms in the above mentioned standard.

Another document that determines the form of the reorganization is the Economic Code of Ukraine, according to article 59 of which, there were outlined such association methods of enterprises as:

- merging entities, in which all property rights and obligations of each of them are transferred to the entity formed by the merger;
- addition of one or more entities to another entity, when the latter acquire all property rights and obligations of associated/joined entities.

However, in 2014, the above-mentioned code was amended and the information about the forms of reorganization was removed.

At present, the only normative document that provides treatment of the reorganization forms is the Tax Code of Ukraine (TCU), but it provides a definition to only one form of the association of enterprises — a merger. According to article 98.1.2 of TCU merger of taxpayers is a transfer of taxpayer's property to the statutory funds of other taxpayers, so that is the elimination of the taxpayer, which merged with others.

Summarizing the above mentioned facts it can be argued that there is no document in national legal framework that would clearly define forms of reorganization by association.

The treatment of issues and accounting of business combinations are regulated by International Finance Reporting Standard “Business Combinations” (IFRS 3) in international practice. According to the above standard, an entrepreneurship entity shall account for each business combination using the following: the purchase method, which requires determining the buyer and acquisition date; recognition and assessment of identifiable acquired assets, the liabilities and any uncontrolled share in

the acquired entity; recognition and evaluation of goodwill or a gain on bargain purchase. However, the above mentioned standard defines methods of gaining control of the acquired objects including:

- a) a transfer of cash, cash equivalents or other assets (including net assets that form the business);
- b) an assumption of liabilities;
- c) an issue of shares in the capital;
- d) a provision of several types of compensation;
- e) a transfer without compensation, including the contract only.

Among these there is a special way when the buyer obtains control of the acquiree without transferring compensation. This method can be used in association by purchasing under certain circumstances, namely:

- 1) the object of the acquisition shall reacquire a sufficient number of its own shares for an existing investor (buyer) in order to gain control;
- 2) veto rights that previously did not allow the buyer to control the acquiree in which the acquirer held the majority of voting rights are expired;
- 3) the buyer and acquiree agree to combine their businesses solely on contractual basis. The buyer does not transfer compensation in exchange for control of the acquiree and holds no shares in the capital or the acquiree at the acquisition date or earlier. The examples of gradual/phased business association solely on the basis of agreement include the combination of the two businesses with an agreement on a staple or by forming a corporation with double registration on the stock exchange. When businesses combine only on a contractual basis buyer distributes the owners of the acquiree the amount of the net assets of the acquiree required in accordance with IFRS 3. In other words, the equity interests of the acquiree held by parties other than the purchaser are an uncontrolled share of the financial statements, formed after the merger, even if the result of all equity interests of the acquiree is related to the uncontrolled share.

The above mentioned facts indicate that the term acquisition in international standards means not only the transfer of shares in exchange for certain assets, but also

to share control in fledgling structure without making compensation, which is typical for such a form of association as a merger. This fact is also favoured in article B6 of IFRS 3 “Business Combinations”, which indicates that the combination can be structured in different ways for legal, tax or other reasons, including in particular the following:

- a) one or more businesses become subsidiaries of the buyer, or there is a legal merger of the net assets of one or more businesses;
- b) one combining entity transfers its net assets, or its owners transfer their equity interests to another combining entity or its owners;
- c) all of the combining entities transfer their net assets, or the owners of those entities transfer their equity interests to newly formed entity (sometimes called the operation of “swapping” or “summary”) or
- d) a group of former owners of one of the combining entities obtains control of the combined entity.

The above mentioned facts indicate that IFRS 3 “Business Combinations” applies not only to the association formed by a full acquisition, but to the union formed by acquisition without making compensation, which contains elements of merger or accession.

In addition to the above methods of combining enterprises, some scientists give their own definition of business combination methods. In particular, Eldon S. Hendriksen and Michael F. Van Breda distinguish two types of business combination, such as the union by buying and merging of interests method [1, p.517]. Merger method was regulated by International Accounting Standards (IAS) 22 “Business Combinations”, which replaced the adopted IFRS 3 “Business Combinations”. The purchase method is associated with buying regulated by acquisition. However, the term “purchase”, in our view, characterizes the reorganization process narrower than the concept of “acquisition”. Buying is more associated with cash payments than the purchase. At the time, the purchase can be made through the exchange of shares, stocks and other financial instruments.

Glen A. Welsh and Daniel G. Short believe that the association can be performed by fusion or absorption method. In the book “Fundamentals of Financial Accounting”, they conduct a parallel between the methods of business merger and acquisitions [2, p.696]. However, in our opinion, this identification is not entirely satisfactory. These two methods have one direction, that is, in both cases there is conducted purchase of a share, i.e. there is present an operation of sale. However, they slightly differ in their nature. For example, the method of buying business is done with voluntary agreement of all parties to merge the companies.

It is appropriate to refer to the Civil Code of Ukraine, which in Articles 104, 106, 107 notes that mergers and other forms of association is the right of legal entities. Consequently, the merger or acquisition shall be done on agreement and on the basis of appropriate deals between all parties of reorganization.

In understanding the process of absorption there are seen some signs of coercion. It is accompanied with purchase by one entity of significant stakes in the capital of other or with artificial bankruptcy of legal entity with its subsequent purchase, direct seizure of one company by another. The buyer is often identified with “aggressor company” and absorbed company —with “sacrifice firm”. Acquisitions may have signs of raiding and is often used in domestic practice to capture some other companies.

However, although absorption is characterized by a large number of special features it should be attributed to the purchase method with regard to such type of reorganization as accession. Moreover, the operations in the accounting and disclosures in the financial statements at purchase and acquisitions carried are out identically.

Summarising the methods of enterprise associations and its accounting representation, you can distinguish the following methods:

1. The method of purchase of one subject by another. It is recognized by national and international standards of accounting and financial reporting as the only way to make a business combination. It is not included into economic and tax legislation of Ukraine. In foreign practice it is associated

with the purchase method, although the acquisition includes a wider range of business transactions than just buying and selling. According to national R(S)A acquisition method is associated with the merger of enterprises, which refers to a combination of individual companies or activities into a whole in order to obtain revenue, reduce costs or obtain other economic benefits.

2. The merger of several firms in terms of their complete elimination and the establishment of new entity. It is stipulated in taxation code and not taken into account in the economic legislation of Ukraine. Current version of R(S)A 19, “Association of Enterprises”, does not regulate this method and does not deny.
3. Joining some subjects to the others. The tax law provides it as a form of merger; however, it is contrary to certain rules of merger, namely the elimination of all precursors and the formation of new entity. One form of merger is joining absorption, which is characterized by signs of coercion, capture of some by the others, raider actions of others, etc.

Considering the possible methods of association from the position of accounting control, it should be noted that, according to the international standards, the operations recording of the business combination shall be carried out only when the purchase method is involved. This procedure has become used in domestic practice. However, after the changes in IFRS 3, regardless of the fact that the only possible method in international practice is a method of acquisition, it is slightly different from that one, which is used in domestic practice. In particular, according to IFRS, the acquisition is not always accompanied by payment of money or the transfer of assets as the transfer can be made without compensation as this is done using the method of the merger. At the same time, the international method of acquisition without compensation cannot be equated with a merger, because among them there are significant differences that affect many other issues related to the assessment, implementation of accounting procedures and presentation of information in financial statements.

Concerning this Ya.D. Krupka notes that such methods of combining capital as acquisition and merger have significant differences in the evaluation of assets and activities results, rules of consolidate reporting, taking into account or not (elimination) of certain balance sheet items [3, p.174] that is presented in the table.1.

While analysing differences in the methods of association there can be found the following main aspects. First, regarding the evaluation methods of assets and liabilities of the combined entities, during the purchase, the property of the company, which is joined, is estimated at market value (in the national treatment — fair value), and during the merger, evaluation of shares of all members of the group is carried out due recorded values.

Second, while combining the enterprises using the method of acquisition there must be detected and shown goodwill in the consolidated balance sheet, i.e. the difference between market and accounting value of assets of enterprises combined. The value of goodwill is to be reviewed periodically taking into account a possible reduction of its usefulness according to R(S)A 28 “Impairment of Assets”. If the goodwill does not meet the attributes of an asset at the year-end its book value is to be written off as expenses. Lack of clear regulation rules to write-off goodwill and absence of its recognition in the domestic tax law leads to that the reported amounts are transferred each year without changes in these balances, while they do not show real assets [4].

There is also the problem of removal (elimination) of internal investment of associations in the preparation of the consolidated balance sheet.

Currently, the preparation of the consolidated balance there are mutually exclusive:

- from assets — book cost of investments of parent companies into subsidiary;
- from liabilities — the parent company share capital from the subsidiary company capital.

Table 1

Differences in the enterprises capital union in the result of purchase and joining
(merging)

	Differences	Method of acquisition	The method of joining (merging)
1.	Evaluation of assets and liabilities of SC* at the time of association.	According to market fair value.	According to accounting balance sheet value.
2.	Goodwill.	Recognized as the positive or the negative difference between the SC market value and paid amount.	Goodwill is not recognized.
3.	The method of construction used in the preparation of the consolidated balance sheet.	Assets and liabilities (eliminated articles, for withdrawal) of SC taken by market value are added to the relevant articles of the PC at book (accounting) value.	Assets and liabilities (eliminated articles, for withdrawn) of SC taken by accounting book value are added to the relevant balance sheet items of PC.
4.	The method of construction used in the preparation of the consolidated income statement.	Revenues (except withdrawals) of SC and PC are brought together. Cost of reporting period of each company plus additional costs for additional expenditures and amortization of goodwill are brought together.	Revenues and expenses of the reporting period (except withdrawals) of PK and SC are brought together.
5.	Articles eliminated (removed) on consolidation	a) from PK assets — the market value of investments in SC; b) from SC liabilities — PC share in SC capital; a) the total sum of intragroup transactions and intragroup balances; d) unrealized gains and losses on intercompany transactions (other than losses that cannot be recovered).	a) from PC assets — balance book value of investments in SC; b) from SC liabilities — PC share in the SC capital except retained net earnings; c) the total sum of intragroup transactions and intragroup balance; d) unrealized gains and losses on intragroup transactions (other than losses that cannot be recovered)
6.	Comparison of certain balance sheet items: a) Current assets (cash) b) current assets (non-cash) c) liabilities e) equity g) retained earnings		
		lower greater the same less less	greater lower the same greater greater

* SC (subsidiary) — a venture to be joined;
PC (parent company) — the company-buyer.

When using the purchase method, these internal investments are valued and mutually excluded at market value. It is extremely difficult to make as there is currently underdeveloped stock market and secondary securities market is actually not working. To summarise it should be noted that it is impractical to acknowledge the acquisition method as the only way of association in the national accounting system. The goodwill acceptance is in need while using this method to implement property reassessment at fair value and absence of its recognition is a significant obstacle to find market value during the association due to the absence of clear rules and inconsistencies in the legislation on goodwill accounting after the merger. It is therefore advisable to adopt in legislation to use all three methods of accounting association of enterprises: merger, consolidation and acquisition; their essence and rules of conduct should also be clearly defined.

References:

1. Хендриксен Э.С. Теория бухгалтерского учета / Э.С. Хендриксен, М.Ф. Ван Бреда; пер. с англ.; под ред. проф. Я.В. Соколова. – М.: Финансы и статистика, 1997. – 576 с.
2. Велш Глен А. Основы фінансового обліку / Велш Глен А., Шорт Даніел Г.; пер. з англ. О. Мінін, О. Ткач. – К.: Основи, 1997. – 943 с.
3. Крупка Я.Д. Облік інвестицій. Монографія / Я.Д. Крупка. – Тернопіль: Економічна думка, 2001. – 302 с.
4. Назарова І.Я. Аналіз методів оцінки активів, зобов'язань та капіталу при реорганізації підприємств / І.Я. Назарова // Економічний аналіз. Збірник наукових праць кафедри економічного аналізу Тернопільського національного економічного університету. – Тернопіль: ТНЕУ, 2013. – Том 14. – С. 214-220.

3.7. ACCOUNTING AND ANALYSIS OF FINANCIAL ACTIVITY OF AGRICULTURAL ENTERPRISES

The improvement of the accounting of financial and economic activity is due to the needs in effective management. According to V. V. Kovalenko users of accounting information are interested in indicators of financial and economic activities of an enterprise, which characterize its potential and actual ability to pay for current obligations, financial stability and efficiency from the perspective of rational use of certain types of financial resources in order to make effective management decisions.

When considering the issue of formation of financial indicators of performance, it should be noted that there is some discrepancy in determining the classification criteria of activities in the regulative documents, as is indicated by Ya. V. Lebedzevych, according to Regulation (Standard) of Accounting of Ukraine 3 and the Chart of Accounts indicators are formed in the following categories of activity: ordinary, main, operational, financial, investment, from extraordinary events, other.

Several authors, including Ya. V. Lebedzevych, M. A. Prodanchuk, indicated that Regulation (Standard) 4 does not have concepts of «other activities» and «ordinary activities». At the same time, it is specified that the notion of «other activities» provides for operations referred collectively to investment and financial activities. This discrepancy is also present in the definition of certain operations [1]. Thus, received dividends, interest, financial results of investments are classified as financial activity under the Regulation (Standard) 3 and the Chart of Accounts, and as an investment activity under the Regulation (Standard) 4. We agree with these authors that in order to avoid inappropriateness in assigning operations to a particular activity, activities and transactions related to these activities should be clearly distinguished. This is due to the fact that the disparity of income, expenses and results of activities, primarily a financial one, negatively affects the development and use of the system of performance indicators in decision-making in financial management.

So, depending on the direction of activity, the type of selected activity, and even transactions related to this activity, the structure of financial results within the mentioned groups of operational, investment and financial activities may differ significantly for agricultural enterprises. Thus, there is a need for clarification of the structure of financial results depending on the subject of the activity of the enterprise, as indicated by other authors [2].

Thus, according to Regulation (Standard) 15 «Revenue» and the Chart of Accounts, income derived from main activity is called «Revenue from the sale of goods (works, services)». As it was noted above, the main activity comprises of transactions relating to the production and sale of goods (works, services). They constitute a major aim of the founding of the enterprises and provide a major share of its income. Thus, it is advisable to call the income derived from the main activity as «Revenue from the main activity» and to replace the name of account 70 «Revenue from sales» for «Revenue from the main activity» since the sale is carried out in different areas and an agricultural one is distinguished for management needs.

Since there is a discrepancy between the financial and investment activities and income derived from them, we propose to make certain changes to the Chart of Accounts.

Account 72 «Revenue from equity» is designed to summarize the information on the income on investments made into subsidiaries, associates or joint ventures, which are accounted by using the equity method. That is, this account is designed for accounting the income from financial investments. Therefore, this account can be renamed to «Revenue from investment activity» with the relevant sub-accounts, which are in force now:

- Revenue from investments in associates (721);
- Revenue from joint ventures (722);
- Revenue from investments in subsidiaries (723).

Thus, the account 73 «Other financial revenue» should be renamed to «Revenue from financial activity» with the introduction of the relevant sub-account, e. g. 734 «Revenue from assets obtained free of charge» (related to financial

activity), as a way of developing research of M. A. Prodachuk, H. A. Yamborko. Thus the account «Revenue from financial activity» will have the following structure:

- Dividends received (731);
- Interest received (732);
- Other revenue from financial operations (733);
- Revenue from assets obtained free of charge (734).

The account 74 «Other Revenue» with respective sub-accounts shall be used for accounting other costs due to investment:

- Revenue from sale of investments (741);
- Revenue from the sale of fixed assets (742);
- Revenue from the sale of property complexes (743);
- Revenue from non-operating exchange rate differences (associated with investment activities) (744);
- Other revenue from investment activity (745).

Accounting financial expenses, which is done using account 95 «Financial expenses» shall, in turn, be supplemented with, for example, sub-account 953 «Expenses on assets obtained free of charge» (related to financial activity). Thus account 95 «Financial expenses» will have the following structure with the relevant sub-accounts:

- Interest on loans (951);
- Other financial expenses (952);
- Expenses on assets obtained free of charge (953).

It is suggested to carry out accounting of financial expenses using accounts:

- 96 «Losses from investment activity» with the following sub-accounts: losses from investments in associates (961); losses from joint ventures (962); losses from investments in subsidiaries (963);

- 97 «Other expenses» with the following sub-accounts: cost price of financial investments (971); cost price of fixed assets sold (972); cost price of property complexes sold (973); losses from non-operating exchange rate differences (related

to investment activity) (974); write-down of fixed assets and financial investments (975); write-off of fixed assets (976); other investment expenses (977).

The result from financial activity for mentioned sub-accounts, just as for typical ones from the Chart of Accounts, will be summed up on account 792 «Financial Performance». The result of the investment activity will be reflected on the account 793 «Investment Performance».

A unified approach to the preparation and submission of all forms of reporting on the use of the concepts of «operational», «investment», «financial» activities of the company and «activity from extraordinary events» with a direct compliance with recommendations on the structure of accounts of financial performance is being formed on the basis of these suggestions.

The conducted research to improve the accounting and reporting of the results of activity confirms the need for the introduction of unified classification criteria and greater specification of accounting of financial revenue, expenses and results, which requires changes in the form of the income statement and methodical bases of formation of information in terms of this statement in the system of accounts. This approach is justified from an economic point of view, since the comparison of the indicators of revenue and expenses by the sources and destinations of their formation makes it possible to identify the most profitable business transactions.

According to M. O. Yevdokymova, H. A. Yamborko, the current system of agriculture is based on excessive use of potential of agricultural resources, the priority of economic benefits, which has led to a significant decrease in the productivity of land resources, the yield of many crops and to a shortfall of important products and increase in negative environmental effects as a result. In the economic practice every agricultural enterprise is a complex industrial and economic system, which performs many activities and should be seen as an open system [3].

Obviously, the most challenging area as to the scope and solving organizational and technical problems is the production activity of the enterprise. Therefore, the production activity of agricultural enterprises should be considered not only in terms of economics and accounting, but also through the lens of

sustainability. Several authors, such as H. A. Yamborko consider it necessary to refine the definition of production and financial activities of agricultural enterprises in terms of strengthening of the concept of sustainable development as a set of permanently implemented, ecologically-balanced measures to ensure the process of production and cost-effective measures related to the financing of the enterprise and financial support of operational activity, aimed to achieve the main goal of the enterprise without causing irreversible environmental damage.

Management accounting is also in need of improvement in the implementation of financial activities of the economic entities. In this case the company needs to clearly define the factors, which affect its scope in the market, namely the life cycle of the company; government policy and the policy of counterparties in the market; the availability of sufficient financial resources for investment; willingness to exercise considerable investment costs, which will generate earnings only in the future.

According to Regulation (Standard) 12 «Financial Investments», all investments of the company are carried out in two forms: investment in profitable types of monetary instruments; investment in profitable types of stock instruments. The use of such forms of financial investment is associated with a wide range of alternative investment solutions. They differ in their meaning and impact on the development of an enterprise. The decisions may be of current or strategic nature, and determine the need for investment in general. The basis of the decision-making process is to determine their necessity and appropriateness. Making investment decisions is complicated by factors such as a large number of available options for capital investment; limited financial resources for investment; risks associated with the adoption of a decision on investments.

The issue of the volume of investments is also an important one. These factors affect the depth of analysis of the economic aspects of financial management strategies for financial activity, which provide for investing funds and other financial resources. By rationalizing quite complex process of research of investment projects by means of financial activity and financial management and making investment

decisions on this basis, it can be organized through a series of decisions.

The first stage of this process combines investment decisions, for which there is no need for in-depth and detailed analysis. The options, which meet the standards of carrying out activities approved by the enterprise, are selected from the set of options. The completion of this phase is to create a set of suitable investment options, the implementation of which will be funded by cash flows created as a result of financial activity.

A set of investment options determined on the first stage is studied on the second stage taking into account internal capacity of the agricultural enterprise and the expected impact on the environment. This stage requires sophisticated research methods, a substantial information base, which significantly increases the complexity of the process of making investment decisions in the field of financial management.

In some cases, such methodical techniques of systems analysis as simulation modeling and economic and mathematical models may be used to determine the feasibility of financial activity.

Simulation modeling is a test that uses computer technologies, their relationship, phenomena and processes under uncertainty. In some programs a model of a process or a studied phenomenon is created, impulses are submitted to the input and the results are studied in the output. Dependences, which characterize the processes and phenomena, are determined by changing input signals and studying output ones, as is noted by K. M. Baz, N. D. Bohonikolos, Liu Li, N. H. Rohalska.

Economic and mathematical models are a selection of the best alternatives based on specific criteria and a situation in which the decision is made. In addition, the use of calculation methods of higher mathematics avoids the uncertainties related to the financial activity of the company.

Practical implementation of the chosen strategy of these stages is based on the adopted investment decisions and the development of its management model. This requires consideration of the investment project in terms of time, and the period analyzed is divided into several intervals, i. e. intervals of strategic planning in the

system of financial management of agricultural enterprises.

If we consider the object of investment in more detail for planning and for the purpose of the management strategy, one of the main sources of information is financial reporting of the enterprise. Reporting under the legislation makes it possible to obtain such information from previous periods, which generally creates a high-quality information database and makes it possible to determine the possibility of risk and variability of investment projects given the existing level of financial resources and the state of the financial activity.

Usually investment project that is developed by means of financial management in the system of financial activity consists of the following stages: forming of aims, evaluation of the attractiveness of the investment project; choice of funding schemes. However, most researchers point out that this approach is somewhat limited and not always can ensure the maximum efficiency of the investment. Therefore, A. Nedosiekin advises, that it should be complemented by the modeling stage, i. e. the creation of pragmatic models: conceptual stage (planning and development) plus simulation; implementation phase plus simulation. This complement will provide an opportunity to identify ways and means to change reality so that reality is closer to the model. Pragmatic models are a standard or a sample, which both the activity and its results depend on. Thus, there is an additional incentive to improve the quality of work on investment. Combining this approach with economic and mathematical modeling will provide the result from financial investments of the highest quality.

Integrated use of mathematical and economic methods provides for the most complete disclosure of the nature, patterns and trends of the development of specific phenomena and processes in order to reflected their properties most adequately.

Some authors, such as A. O. Muzychenko believe that the justification of the areas of improvement of information and analytical support of the financial resources management are based on the results of the analytical evaluation, which adequately reflects the current state of financial resources of agricultural enterprises, justifies the main directions of improving the management of financial support, in

particular through improved information and analytical approach; complements method for determining the financial capacity of companies to service borrowings; use of economic and analytical model makes it possible to determine the need to attract loan capital by agricultural enterprises and forecast financial results taking this into account [4].

Taking into account the financial capacity of enterprises and objectively assessing the impact of internal and external factors, it is possible to form such a financial strategy, which provides the fullest use of the financial and economic capabilities of enterprises coordinating them with the conditions prevailing in the markets of goods and financial services. This financial strategy provides for the identification of long-term objectives of financial activity and the choice of the most effective ways of achieving them, optimization of the structure of sources of financial resources, the accumulation of financial resources (creation of the required amount of stocks, placement of the financial capacity to highly liquid assets), improvement of the quality of agricultural products (implementation of national policies by applying rules and regulations of the world market, the implementation of international experience in the production of goods and services), improvement of the standards and regulations (optimization of volume and structure of financial resources by individual components), improvement of the management of agricultural production (search for sources of funding of innovative projects, monitoring their implementation and realization at the enterprise level on the criteria of sustainability, social feasibility and environmental safety).

Most agricultural enterprises are in dire need of financial resources. There are several common ways to attract them in a market economy, often through the issuance of shares and loans. The most affordable way of attracting capital is loans due to the lack of development of the stock market in Ukraine. The peculiarity of loans is serviceability and limited period of use, which in turn affects the amount of payments for the body of the loan. Consequently, it is necessary to take into account the following requirements when determining the efficiency of attracting loan resources: cost and efficiency of a loan; purpose and its amount; term and the

amount of payment for the body of the loan. The study found that not enough attention is paid to such factors as the purpose and effectiveness of loans.

The most common method of managing the efficiency of attracted capital is the effect of financial leverage. However, a number of drawbacks were identified when using it: the amount of attracted capital, its purpose, term and are not taken into account. Therefore, we have suggested a methodology, which eliminates these drawbacks to some extent. It can be described by a model that looks like a formula:

$$A = (D * K_f + CF) - (I * D + D/Y),$$

where A – is the financial capability to service loan funds (UAH); D – is the amount of loan funds (UAH); K_f is the rate of return of using attracted capital; CF – is a net cash flow of the enterprise before attracting loans (UAH); I – is the annual interest rate on the loan (%); Y – is the number of years of a loan.

So, summing up, we should note that the suggested model is oriented mainly to evaluate the effectiveness of targeted loans given a period of use. It was found that agricultural enterprises usually attract multiple loans for different purposes and at different times.

References:

1. Коваль Н. І. Особливості фінансової діяльності малого бізнесу в сільському господарстві / Н. І. Коваль, О. Д. Радченко // матеріали між нар. наук. практ. конф. Вінницького національного аграрного університету. – Вінниця : РВВ ВНАУ, 2010. – С 44–45.

2. Кузь В. І. Облік формування та розподілу прибутку в контексті суспільного договору [Електронний ресурс] / В. І. Кузь. – Джерело доступу : www.nbuv.gov.ua/.. /NV-2010-V3_48.pdf.

3. Костирко Л. А. Інформаційне забезпечення управління фінансово-господарською діяльністю промислових підприємств [Електронний ресурс] / Л. А. Костирко, Л. О. Сурженко. – Джерело доступу : www.nbuv.gov.ua/.

4. Охрамович О. Р. Методичні аспекти обліку фінансових витрат [Електронний ресурс] / О. Р. Охрамович. – Джерело доступу: nuwm.rv.ua/metods/asp/vd/v41ek30.doc.

SCIENTIFIC PUBLICATION

Zenovii-Mykhailo Zadorozhnyi, Yaroslav Krupka,
Oleh Skasko, Andrii Liubenko, Liliia Bohutska,
Nataliia Hudz, Pavlo Denchuk, Mariia Derii, Nataliia Zarudna, Oleksandr Kundeus,
Inna Melnychuk, Volodymyr Moroz, Nataliia Muzhevych, Volodymyr Muravskyi,
Iryna Nazarova, Iryna Ometsinska, Valentyna Panasiuk, Sviatoslav Pytel, Nataliia
Pochynok, Halyna Rymar, Rostyslav Romaniv, Volodymyr Farion,
Oleh Shevchuk, Yuliia Sudyn

CONCEPTUAL APPROACH TO REFORMING OF THE NATIONAL
ACCOUNTING SYSTEM

MONOGRAPH

Kindle Publishing, Box 81226 Seattle,
WA 98108-1226,
The USA
2017