

UDC 657.2.016

JEL B40; M40

Luchko Mykhailo Romanovych  
Doctor of Economic Sciences, Professor,  
Head of the Department of Accounting in public  
sector of the economy and the service sector  
Ternopil National Economic University

### **Accounting: functional approach**

**Abstract.** Accounting is a management function, which acquires the dominant weight in the economics of innovative development and knowledge. This in turn requires changing those tasks that belong to it and its performed functions. Having its own theory, accounting is directed on fulfillment of tasks of public nature in practical life and internally production (management) content. Exploring the mentioned above issues, we believe that the division of accounting on the science with its own theory and on the industry of practical activity with its technique, methodology and organization, is justified and meets its purpose. Therefore, we conduct scientific exploration in this article regarding the distinguishing of the functions of accounting theory, accounting as scientific knowledge and practical human activity. The above mentioned facts made it possible to pay attention to the current problems in the development of accounting science, practice and explore the possibility of the appearance and description of new elements of its method.

**Keywords:** accounting, accounting theory, functions, management, profit center, methods and organization of accounting.

### **Бухгалтерський облік: функціональний підхід**

**Анотація.** Бухгалтерський облік є функцією управління, котра в економіці інноваційного розвитку та знань, набуває домінуючої ваги. Це у свою чергу вимагає змінити ті задачі, котрі ставляться до нього та функції, що він виконує. Маючи власну теорію бухгалтерський облік направлений у практичному житті на виконання завдань суспільного характеру та внутрішньовиробничого(управлінського) змісту. Досліджуючи вищенаведені

питання, ми переконані, що поділ бухгалтерського обліку на науку із власною теорією та на галузь практичної діяльності із своєю методикою, методологією та організацією, є оправданим та відповідає його призначенню. Тому у даній статті нами проведено наукову розвідку щодо виокремлення функцій теорії обліку, обліку як наукового знання та практичної діяльності людини. Зазначене дало можливість звернути увагу на сучасні проблеми в розвитку бухгалтерської науки, практики та дослідити можливість появи та опису нових елементів його методу.

**Ключові слова:** Бухгалтерський облік, теорія бухгалтерського обліку, функції, управління, центр прибутку, методика та організація обліку.

### **Бухгалтерский учет: функциональный подход**

**Аннотация.** Бухгалтерский учет управления, которая в экономике инновационного развития и знаний, приобретает доминирующее значение. Это в свою очередь требует изменить те задачи, которые относятся к нему и функции, которые он выполняет. Имея собственную теорию, бухгалтерский учет направлен в практической жизни на выполнение задач общественного характера и внутрипроизводственного (управленческого) является функцией содержания. Исследуя вышеприведенные вопросы, мы убеждены, что разделение бухгалтерского учета на науку с собственной теорией и на область практической деятельности по своей методике, методологии и организации, является оправданным и соответствует его назначению. Поэтому в данной статье нами проведено научное исследование относительно выделения функций теории учета, учета как научного знания и практической деятельности человека. Указанное позволило обратить внимание на современные проблемы в развитии бухгалтерской науки, практики и исследовать возможность появления и описания новых элементов его метода.

**Ключевые слова:** Бухгалтерский учет, теория бухгалтерского учета, функции, управление, центр прибыли, методика и организация учета.

**Formulation of the problem.** The accounting functions are described in detail and have found their place in the economic literature in methodological and organizational area. However, we consider that identification of accounting as a science and field of practical human activity is very important for research. The above mentioned requires the implementation of research it in functions and expansion of tasks in the business environment.

New strategic functional objectives that are realized through the prism of accounting functions by automating accounting processes, greatly enhance the competitive role of an employee in the total cycle of management, control and regulation of the movement of financial, monetary and trade flows both inside of the enterprise and beyond it.

**Analysis of recent research and publications.** Special attention is largely paid to the issues of organization, methodologies and accounting methods in domestic and foreign professional literature. Some issues examined in the article are reflected in the works of such scientists as: Butynets F., Hutsayliuk Z., Kuzminsky Yu, Lehenchuk S., Maliuha M., Sievers E., Rudanovskyi O., Halahan O., Kireytsev H. [2], Sokolov Ya. [5], Eldon S. Hendriksen, Michael F. Van Breda [6]. At the same time, problems, which form the subject of scientific investigation, according to the author, are not singled out and investigated sufficiently.

**Unsolved previously aspects of general problem.** General problems of accounting separation and the necessity to study its accounting functions are solved in this article by us. However, the first emphasis in theoretical terms is drawn to their allocation in the light of separation of accounting as a science and the field of practical human activity.

**Formation of the objectives of the article.** The aim of the article is to single out problems of functional approach in accounting theory, determine the characteristics and target orientation of the individual functions, both traditional and those that are associated with the emergence and development of the business environment.

**The main material of research.** The changes that occurred in the environment of economic entities, led to a situation where the traditional factors of production

such as land, labor and capital lost the dominant positions in favor of the information and human knowledge that have such knowledge and can use them. Unquestionable conviction prevails in science and practice regarding that fact that the time knowledge and technology has come when psychology and consciousness occupy a high rank in the management as a whole.

Accounting as a management function and unclosed order of skills and methods of their manifestation, occupies one of the primary places. Indisputably, that it is caused by the social being, however, it is a certain artifact that is created by human knowledge in the evolution process of economic activity.

The economic activity of the enterprise is carried out in time. This is primarily dynamic and static processes that are characterized by defined list of events in advance and events when the exact time and the results are impossible to predict [3].

In modern conditions of forming market relations, where the development of production and foreign economic activity, increasing competition and growing saturation of the market, commercial activity becomes one of the most important areas of entrepreneurship that ensure its functioning [4, p. 7].

Methodical investigation and generalization of practice of economic activity based on the careful penetration into the content of researched fact reveals its regularities. Generalization and interpretation, the discovery of new laws (trends) and prediction is the function and specificity of the theory in general. In the widest sense it is also called a set of interrelated principles (concepts), definitions, statements and opinions that form the system of representations about phenomenon that enables these phenomena to explain and prevent.

Thus, doctrine is primarily a system. A small number of works is characterized by such approaches at the present stage of scientific development in theory and practice of accounting in Ukraine, where the theoretical and empirical achievements are summed up. The same was noted in the statements of scientists at many scientific conferences and in some articles of domestic scientists.

Methodology is a system of methods of cognition and practice, i.e. the system of principles, rules, methods, ways and means of organization and construction of theoretical and practical activity and theory of this system.

– methodology of scientific activity is a system of methods (principles, rules, techniques, ways and means), particularly cognition (reflection) of objects of the external world and the organization (formation) of systems of scientific knowledge;

– methodology of practical activity is a system of methods (principles, rules, techniques, methods and tools) of effects on the objects, organizations of practical activity as one of the objects [8].

We consider that accounting is economic science and practical human activity (profession). Thus, indisputable is the fact that there is accounting methodology as scientific research and its methodology as practical activity (accounting profession).

It should be noted that accounting is an independent science in the United States, in the Polish Republic is one of economic sciences in Germany is a part of doctrine about management. Perhaps such realities of scientific existence should put the task to study the theory of accounting in these countries. Will be it common for all countries?

What is the theory of accounting? It can be explained differently. There are many approaches to it. There are a significant number of its definitions. Thus, the famous Ukrainian scientist and accountant Halahan A.M. in the work “Textbook of conducting accounts” in 1916 tried it “to define” and indicate on the nature and types.

Interestingly, Webster's Dictionary (*An American Dictionary of the English Language*) that is reissued almost every year and its latest edition contains 450 thousand of terms in English, known since 1755, is noted that: “Accounting theory is a consecutive, internally and consistent, logical set of hypothetical, conceptual and pragmatic principles that form a common system of coordinates to study the nature of accounting”.

Eldon S. Hendriksen, Michael F. Van Breda indicate in their works that accounting theory is a set of basic, logically interconnected conceptual framework for the evaluation of policies and practices of accounting (principles of evaluation and presentation of data) used to prepare the financial statements [5, p. 23].

There is a wide range of other definitions of accounting theory, submitted in the scientific works of scientists. These definitions are worthy of attention and have cognitive nature.

Accounting theory is developed today by inductive approach and is characterized by the accumulation and generalization of the experience. However, the legal norms for conducting accounting of individual countries should not affect on it, they must be based on it. And unquestionably universal mathematical conceptual apparatus of its implementation should acquire widespread use in the theory of accounting.

It is necessary to identify the characteristic peculiarities that distinguish the science of accounting from other sciences: 1) is a complex science that can be attributed to specific, functional sciences; 2) has its object, the method of research and its elements; 3) has its object, the list of which is extended over time; 4) has an active orientation in practice; 5) has a developed system of scientific theories; 6) has invariant nature.

Nature of the functional approach is the formulation of functions, which the science has for solving those or other requirements.

In our opinion, at the beginning you should contact to its functions and to pay sufficient attention to this studies in considering the issues of accounting theory.

Their meaning is to explain how the interrelated phenomena and events that are researched and studied by accounting and of course, reflected through it. Based on the above, the functions of accounting theory should include the following: generalized, communicative, forecasting and practical. Moreover, each function performs only inherent objective. Thus, the function of generalization is the formation of axioms and theoretical conceptual provisions regarding the accounting policy and practice. Communicative function is a kind of “language” of accounting. Its essence is to create concepts, defining terms and concepts that will apply in the future. Content of forecasting function is reduced to the study of changes in the environment accounting and forecasting them in future for the development of general strategies of activity.

The practical function of accounting theory will consist in the fact that given tasks in previous functions should be consistent with each other, harmonize and does not conflict, and thus constitute a coherent system of knowledge to achieve general goals of activity. And in the narrow sense for achieving management goals today or in the future, and therefore in close relationship.

So, its legislative, regulatory and subjective adjustment is formed thanks to the elements of accounting theory. In practice, all kinds of reporting are composed for users in accordance with the established principles. In future, we have only abstractions for the reason that users of accounting do not make full and effective influence on this theory. This is not the best result for its existence, research and development.

Considering given problem, define the functions of accounting as a science: description (development of techniques and methods for describing and fixation the presence and movement of capital, circulation of means and sources for their formation in the process of cognition), explanation (the development of techniques and methods of interpretation of economic facts by the system of knowledge and scientific methods ) prediction (forecasting and prediction of science development as a dynamic system of knowledge), understanding (making judgments and inferences about patterns of development at theoretical and applied levels).

The importance of financial information for making reasonable operational and management decisions regarding the fulfillment of obligations, contracting grows in institutional economics. Accounting becomes not so much a means for providing information and control over the activity; it should be an instrument of influence on production, self-control, feasibility, justification and efficiency for fulfillment of all activities of production and financial nature.

Particular methodological significance in the transition to the market is the question of reorientation of information flows generated by accounting, for implementation the needs of production management. If previously only a clear influence on the objects and data formation about the progress of production processes and conclusions regarding the legality of certain business transactions in terms of the existing normative acts was needed regarding accounting, then the issues

of production performance management both at the enterprise and in its subdivisions arise primarily in the conditions of competitive manufacturing. Information becomes the basis for making any decision – administrative, economic, engineering or scientific and technical. First of all it is a kind of mediated, indirect knowledge about surrounding life in the form of material or electronic carrier for the purpose of operative intervention into business processes to avoid the risk of their implementation.

It is possible to highlight the following main functions taking into account the results of influence accounting as industry of practice human activity on the process of making decisions: information, control, reporting, analytical, statistical, evidentiary and evaluative.

Information function plays a leading role and envisages the creation of defined arrays of data that are used by different users in a wide range of activity. Such data can serve as the basis in activity of business entities or their components (subsidiaries, holding companies, representative offices, etc.).

The main purpose of such data is the direct use of making economic decisions by leadership, management in real time scale, source of formation of strategies. The control function is implemented through various control measures, for example, documentation of all transactions without exception, verification of compliance certain types of activity with business rules or planned strategies. In case of deviations, the control function gives an opportunity of adjustments for restoration of proper condition. Internal control includes all kinds of activities and methods through which the relative comparison of the data contained in reports and documents is made. It allows users to rely on their efficiency, reliability and accuracy and compliance with regulatory and legal framework of the state, legislation and special rules.

Modern accounting cannot be limited by records only for the formation of statements. Its data also should be analyzed and amended if necessary for the purpose of correct interpretation. Therein, the content of analytical accounting function lies. It manifests in the fact that accounting data make it possible to identify the problem and then to make quick decisions regarding the correction of deficiencies, both in writing



form for the future, and directly in the process of operation in real time scale. It is not enough to establish the facts for implementation of this function. It is necessary to study the causes of certain conditions and events and develop concrete measures in their activity in order to eliminate the negative impact on the end result of activity.

The function of statements is associated with the preparation of various kinds of information, financial, tax and statistical reporting. They can be obtained in accordance with the regulations for drawing up systematically over a certain period. Reporting makes the final “product” of data processing of accounting process and is the result of activity during the period of its formation. It is formed in accordance with the designated legal framework and instructions for its preparation, approval and submission to the appropriate authorities.

Content of statistical accounting function is to provide data to gather information about the macroeconomic state of the region or the state as a whole. It is used by public institutions that form economic policy of the country.

Such data can be collected substantially within the limits of accounting system or transmitted in the form of statistical reporting to state institutions of general or regional scale. Thus, the statistics as a special science deals with this.

Another important function of accounting is evidential. It is by storing all accounting documents for the given period. Therefore, their presence allows carrying out the verification by regulatory authorities at any point in the determined procedure by law in order to establish compliance with legal provisions, such as paying taxes, compliance with financial discipline.

General management and individual managers need to receive comprehensive information about certain events, proven and accurate data according to which they should formulate their own conclusions in order that they can materialize personal cognitive activity. Hence, the accounting information required to be formulated by the following features:

- relevance of data (manifestation of all the events and evidence are required to be relevant to a given main thoughts, ideas)
- the amount of information (diversity of arguments that are used for substantiation of fundamental ideas);

- content of the information (the degree of consistent and scientific convincing positions);
- completeness of the information (the ratio of maximum amount of information received from at least the time of its perception).

Thus, there was an urgent need at a given time to prepare motivated conclusions using accounting on the feasibility and efficiency of business operations and processes. The accountant became required in order to determine in advance the risks in business and optimize cash flows and calculate alternative variants for the development of events at the enterprise, to provide better results by reducing and avoiding unnecessary costs and losses.

It is the center for obtain additional profit. Therefore, the task of accounting changes and future short and long term strategies of activity can form on the basis of its information. The role and position of accounting is increasing in total cycle as management function (in our opinion, issues or strategic of forecast accounting do not deserve appropriate attention.

It leads to the fact that, evaluative function of accounting receives proper development along with others. Appropriate advices shall be submitted with it help in practical terms to optimize the activity, results regarding the implementation of innovations on the basis of using primarily economic and mathematical methods and construction of AWP shall be determined. Accounting is converted into intellectual work of a person with new evaluative function that is aimed at the construction and implementation of business strategies.

Application of automation of accounting processes gives time for analysts in its work and it should be directed at resolving problems of managing, finding reserves. Emergence and use of this function requires search and development of new elements of accounting method (prediction, system of matrices, linear equations, modeling, quantum methods) and additional theoretical researches.

**Conclusions.** Accounting as a science and a branch of practical human activity in the process of social development gets new impetus for working out their theoretical foundations and applied conditions of use. Its content is determined in the light of those challenges that face them and functions that it performs. However,

research detached from practice, usually turns into scholasticism that creates conditions for penetration idealism, mechanistic, voids to them. Formal knowledge is detached from life and dead as a dry leaf of doctrine today could fall into the abyss and degenerate without scientific field of research and rational grain in it. Capture of historical past and constant “scientific battle”, genesis is the road to nowhere. It is also as objections of dominant role of accounting in overall management system. It is the only one in its essence as a branch of scientific knowledge. In practice, there is its division into bookkeeping department (financial, administrative and other) that is caused by the performed functions.

### **References:**

1. Butynets, F.F. (2001), Bukhhalterskyi oblik: rozdumy vchenoho / F.F. Butynets, Zhytomyr, PP “Ruta”, 100 p.
2. Kireitsev, H.H. (2007), Rozvytok bukhhalterskoho obliku: teoriia, profesiia, mizhpredmetni zviazky: monohrafiia / H. H. Kireitsev, Zhytomyr, ZhDTU, 236 p.
3. Luchko, M.R. (2013), Nevyznachenist ta ymovirnisnist hospodarskykh operatsii: do pytannia bukhhalterskoho obliku/ M.R.Luchko, Kyiv, Naukovo-praktychne vydannia “Nezalezhnyi auditor”, No. 5 (III), pp.15-23.
4. Luchko, M.R., Adamyk, O.V. (2005), Oblik komertsii noi diialnosti/ M.R.Luchko, O.V.Adamyk.: Pidruchnyk, Ternopil, Kart-blansh, 441 p.
5. Sokolov, Ya.V. (2004), Ystoryya bukhhalterskoho ucheta: Uchebnyk / Ya.V. Sokolov, V.Ya.Sokolov, Fynansy y statystyka, Moscow, Russia, 272 p.
6. Eldon, S. Hendriksen, Michael, F.Van Breda (2002), Teoria rachunkowoŭci. Wydaw. Naukowe PWN, 893 p.
7. [http://pidruchniki.com/10810806/pravo/metodologiya\\_yurisprudentsiyi](http://pidruchniki.com/10810806/pravo/metodologiya_yurisprudentsiyi)