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Article in INTERNATIONAL JOURNAL OF ADVANCED RESEARCH IN ENGINEERING & TECHNOLOGY · May 2020

DOI: 10.34218/IJARET.11.5.2020.0016

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ACCOUNTING AND CONTROL OF SETTLEMENTS WITH COUNTERPARTIES UNDER THE CONDITIONS OF QUARANTINE MEASURES

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ABSTRACT

The COVID-19 pandemic, global quarantine measures adopted by several countries, including Ukraine, have made adjustments to the economic activities of the entities. Today, the most challenging issue is the management of enterprise debt, which is associated with the problem of non-payments, especially in the context of the global financial crisis.

In the article on the examples of real enterprises of Kharkiv, Kyiv, Lviv, Mykolayiv, Vinnytsia and Zhytomyr, authors proposed measures to improve accounting. A feature of the developed proposals is their versatility, i.e. they can be

used not only during crises but also in normal conditions of business activities by entities, because they can help enterprises rationalize and improve accounting and control of settlements with counterparties under the conditions of quarantine measures. This is a prerequisite for ensuring the competitiveness of the enterprise and achieving its goals.

Keywords: Accounting, Control, Counterparties, Crisis, Quarantine, Settlements

Cite this Article: Tetyana Haiduchok, Inna Sysoieva, Stanislav Vasylishyn, Alona Lysiuk, Oksana Kundrya-Vysotska and Alla Kostyrko, Accounting and Control of Settlements with Counterparties Under the Conditions of Quarantine Measures, *International Journal of Advanced Research in Engineering and Technology (IJARET)*, 11(5), 2020, pp. 141-152.

<http://www.iaeme.com/IJARET/issues.asp?JType=IJARET&VType=11&IType=5>

1. INTRODUCTION

The problems of accounting, analysis, control and taxation of various fields of activity of enterprises have long worried Ukrainian scientists [1-5]. The COVID-19 pandemic, global quarantine measures adopted by a number of countries, including Ukraine, have made adjustments to the economic activities of the entities [6-11].

Today, the most difficult issue is the management of enterprise debt, which is associated with the problem of non-payments, especially in the context of the global financial crisis. Enterprises in such conditions try to control the existing receivables, forgetting about their debts to counterparties. In our opinion, this is due to property liability under contracts with counterparties or the general absence of such contracts, or their oral existence. It is these circumstances that allow enterprises to evade settlements with counterparties. So, it is in such conditions that they need to manage receivables increases.

2. THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF MANAGEMENT THE SETTLEMENTS WITH COUNTERPARTIES

The counterparty is one of the main parties to the contract, which assumes obligations according to the signed contract. Each party to the document is considered a counterparty to each other. Specific obligations will further bound such partners with each other. Counterparties can be legal entities or individuals, organizations, enterprises. Moreover, a contractor may be a particular contractor (legal or natural person), who receives remuneration for his work and agrees to fulfil all the requirements of the customer (Fig. 1).

Despite full control by the state, in the system of settlements with contractors, there are several problems associated with early repayment of obligations. One of the most complex and controversial issues in the activities of Ukrainian enterprises is the organization of internal control of receivables and payables. This issue is due to the widespread problem of non-payments and is associated with the existence of insufficient organization of accounting in the structure of an economic entity. Settlements with counterparties are inextricably linked with incoming and outgoing cash flows, which form the basis of the process of ensuring the continuous activity of business entities. Delaying the timing of receipt of payments and repayment of obligations leads to a slowdown in the operating cycle and a decrease in the business activity of the enterprise.

TYPES OF COUNTERPARTIES	
Buyer – seller	One party is obliged to transfer the specified product to the other party, and the buyer must accept the product and must pay a fixed amount of money for it.
Mortgagee – mortgagor	The mortgagee has the full right to withdraw from the mortgagor a certain amount of money if the second is unable to fulfil these obligations under the contract.
Second person creditor – surety	Second person creditor and surety. According to the contract, the surety must be responsible for all the actions of the second person to the creditor.
Buyer – Supplier	Under the agreement, the supplier must necessarily transfer the goods following the specified time to the buyer. In turn, the buyer agrees to use the products exclusively for entrepreneurial activity, but not for personal, family or home purposes.
Commitment – commissioner	One side (commitment) hires the other hand (commission agent). The commission agent makes one or more transactions on behalf of the principal, for which he subsequently receives a reward.
Donee – donor	The donor transfers to the donated party a thing. The donee is the giver. The donor transfers to the donated party a thing.
Payer of rent – rent recipient.	According to the terms of the contract, the annuity recipient transfers the property to the annuity payer. At the same time, the payer of rent is obliged to continually pay the agreed amount to the first party, or to keep the recipient of rent on favourable terms.
Landlord – tenant	The landlord or landlord for a fixed fee transfers the property to the lessee (tenant) in his possession for a certain period.
Sender – carrier	According to the contract, the sender hires a carrier for a fee, who must deliver the goods from point A to point B.
Others	...

Figure 1 The primary classification of counterparties

Based on the data on economic literature, it can be argued that the main problems in accounting for settlements with buyers and customers remain: the uncertainty of accounting for overdue and bad debts and its refinancing, the default crisis, debt analysis and automation of accounting for mutual settlements with buyers and customers of enterprises and a lot of others. Quarantine events through COVID-19 only exacerbated existing problems.

To make adequate and timely decisions by the interested parties on the existing management policy in the process of crisis management of the financial and economic situation, the relevance and quality of information on the status of settlements with customers and customers are essential; it is formed based on accounting data of specific business entities. However, the accounting form with buyers and customers, which was recommended normatively, does not take into account the specifics of this asset. Besides, the accounting registers recommended for use do not provide for the accumulation of information on settlements with buyers and customers of various levels of detail and generalization. This

determines the impossibility of obtaining information from buyers and customers in the amount and form sufficient to conduct analysis and control calculations to predict the likelihood of a payment crisis of business entities, making recommendations for its prevention.

The solution to the above complex problem largely depends on improving accounting calculations. Of the many objective reasons, scientists could not foresee the factors that today affect the development of the economy and accounting in Ukraine. The result of the adverse factors of quarantine measures is a decrease in the business activity of enterprises, their low solvency, which usually leads to a crisis state of economic entities and a crisis of non-payments. A characteristic feature of the low solvency of enterprises is the delayed repayment of receivables and the repayment of arrears in part, which causes the emergence of doubtful and uncollectible receivables. That is why, given the current economic conditions, it can be argued that an essential prerequisite for avoiding these problems is the creation of an adequately organized accounting system for settlements with buyers and customers.

At the present stage, the current system of settlements with counterparties does not yet meet the requirements of accelerating money circulation and strengthening the financial condition of the enterprise, which, in turn, leads to instability in the supply of essential inventories. Failure to comply with contractual and settlement discipline, untimely claims for debts that arise, lead to a significant increase in unjustified receivables and, consequently, to the instability of the financial condition of the enterprise. The desire of enterprises to increase sales and expand the circle of buyers and customers leads to the need to sell goods, products, works or services on credit. An increase in deferred payment terms leads to an increase in sales volumes and, as a result, an increase in the amount of profit. But along with an increase in incomes, there is an increase in the likelihood of an increase in bad debts, a deficit in working capital and an increase in the cost of raising funds to finance current operating activities, which causes a decrease in income.

The organizational structure, the quality of preparation of accounting information, the professional level of specialists, the proper assessment of the data obtained, which determine managerial decisions, and significantly affect the effectiveness of the audit, significantly affect the effectiveness of the domestic enterprise.

An accountant in accounting and making tax calculations at a domestic enterprise should be guided by the methodological differences between the various legislative bases that govern two economic and legal systems - accounting, analytical and tax. Accounting and control of receivables and payables also have their specifics and cause considerable difficulties in organizing an effective accounting system, analysis and audit of settlements on them.

The organization of accounting, analysis and audit of accounts receivable and payable at the enterprise must begin with the procedure for preparing accounting policies, forms the basis for analysis and control. To improve the effective organization of such a settlement system, an enterprise should develop a clear structure of all settlements associated with them. As the ambiguity and ambiguity of the domestic legislative base is displayed on the economic indicators of the country, so conflicting methods, norms and methods of accounting, analysis or audit are reflected in the results of the enterprise, therefore, to improve the organization of an effective accounting system, analysis and audit of settlements on receivables and payables carry out as part of a holistic system that would be based on one technique. First of all, it is worth noting that the accounting policies of enterprises in the field of receivables are presented only in general terms; therefore it is appropriate to supplement the Order on accounting policies with necessary accounting elements, such as the number of doubtful debts, classification of receivables for each buyer or customer, write-off of receivables from

the balance sheet, etc. This will allow to more fully cover the organization of accounting and increase control over settlements with buyers and customers.

There is no doubt that the automation of accounting can significantly facilitate the work of accounting as a whole and each accountant separately, especially when introducing telecommunication information exchange between workstations of accounting employees using computer networks.

3. RESULTS AND DISCUSSION

The main task of accounting for debt during quarantine restrictions is to identify which debt is associated with quarantine and which is related to other reasons. Therefore, the proposed activities will be related to the identification and allocation of "quarantine" debt. Analysis of Kharkiv, Kyiv, Lviv, Mykolayiv, Vinnytsia and Zhytomyr enterprises allowed us to identify non-standard situations where it is possible to improve settlements with counterparties.

3.1. Proposals for Improving the Accounting of Settlements with Debtors under the Conditions of Quarantine Measures

Solving the problems of receivables requires skilled management, which is one of the methods to strengthen the financial position of the enterprise. Measures for the return of receivables are included in the group of the most effective measures to improve efficiency due to the internal reserves of the enterprise and can quickly bring a positive result. Repayment of debt in a short time is a real opportunity to fill up the working capital deficit.

a) Using the example of LLC "RECTON" (Kyiv), we can achieve enhanced control over accounts receivable through the creation of a particular department – the Department of receivables management (Fig. 2).

An important direction of ensuring effective management of current receivables is the analysis and internal control; they should be carried out by a particular unit of the enterprise. Analysis of the status of current receivables should ensure the implementation of:

- the availability and correctness of registration of primary documents, which are the basis for the occurrence of current receivables;
- analysis of current receivables according to established criteria;
- correct calculations of current receivables;
- the accuracy of the assessment of current receivables and the estimate of the reserve for doubtful debts;
- proper classification of current receivables and the availability of the necessary explanations in the notes to the financial statements.

Checking current receivables should be carried out in a specific sequence.

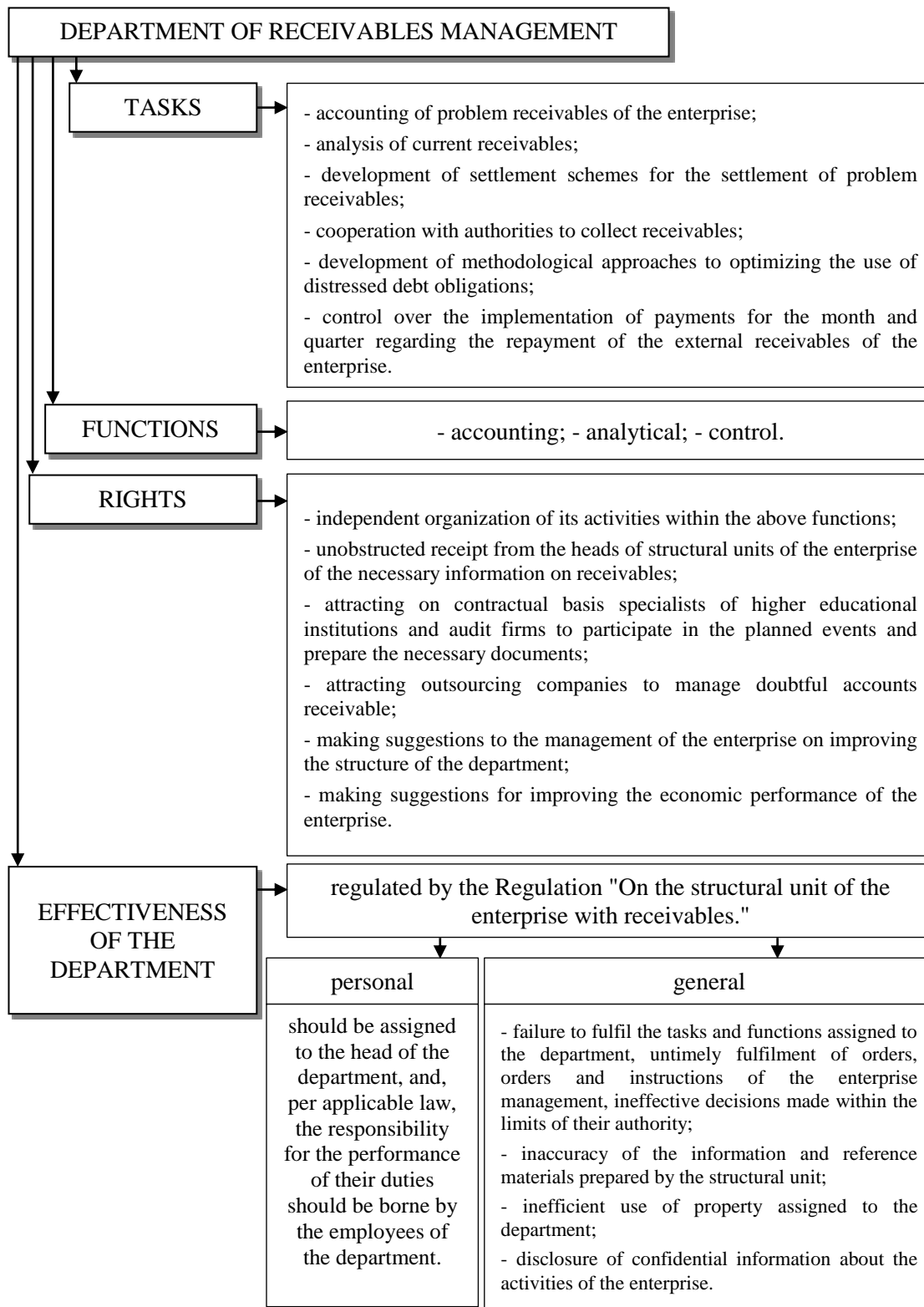


Figure 2 The main characteristic of the proposed for Department of receivables management

When assessing and analyzing the status of receivables, you need to get all the necessary information about the sale of products and the occurrence of current receivables. Gathering information about the occurrence and accounting of receivables and the correctness of their assessment, the accountant determines the list of information that must be provided by the client or received directly by him, namely: a list of types of products (works, services), a commodity loan is implemented, and turnover is established for each type; the number and addresses of centres for the shipment of products (work, services); list of principal debtors; volume of sales (issued invoices), including on separate forms of settlements (prepayment, payment in cash or by check; barter settlements; marketing policy of the enterprise; invoicing scheme; elements of an internal control system for the status of receivables).

Such an organization of work with current receivables will allow for the necessary management since the deputy chief accountant performs this work in this enterprise and a large amount of the work entrusted to him can lead to ineffective fulfilment of his obligations.

b) Novotech LLC (Lviv) practices lending to employees of the enterprise and plans to carry out operations to provide assets for operating leases, as well as other settlements; it would be advisable to open a new sub-account 377 "Settlements with other debtors" and supplement his subaccounts:

377.1 "Settlements on loans with employees";

377.2 "Operating leases"

As a result of this, new postings appear.

So, for example, the issuance of loans to an employee of an enterprise should be recorded in the following records:

Dt 377.1 "Calculations for loans with employees" (in the amount of the loan)

Ct 301 "Cash desk in national currency"

Dt 301 "Cash desk in national currency" (the amount of repayment of the loan)

Ct 377.1 "Settlements on loans with employees."

As for the reflection of operations under operating leases, we will consider its reflection in the examples (Table 1).

Table 1 Operations for operating leases

Contents of operation	Accounting Reflection	
	Dt	Ct
1. Accrued rent receivable from the tenant	377.2 "Operating leases"	713 "Income from operating leases of assets"
2. Accrued tax liabilities for VAT	713 "Income from operating leases of assets"	641 "Calculations for taxes"
3. Rent received	311 "Current accounts in national currency"	377.2 "Operating leases"
4. Accrued depreciation on the rental object	949 "Other operating expenses"	131 "Depreciation of fixed assets"
5. Accrued expenses of the lessor in concluding an operating lease agreement	949 "Other operating expenses"	63 "Settlements with suppliers and contractors"
6. Reflected tax credit for expenses associated with the conclusion of the agreement	641 "Calculations for taxes"	63 "Settlements with suppliers and contractors"

In this regard, there will also be changes in the financial statements and in the balance sheet of the enterprise.

c) the enterprises SBI LLC (Vinnytsia) and Mig-Trade LLC (Mykolayiv) use the services of outsourcing companies; therefore, it will be justified for them to supplement the Chart of Accounts with sub-account 377 "Settlements for outsourcing", providing it with such a characteristic "the sub-account is designed to account for receivables, the management of which is possible transfer to the outsourcing company (factoring, forfaiting, assignment)" (Table 2).

Table 2 Addition to account 37 "Settlements with different debtors"

Account Code	Account name	Subaccount Code	Subaccount Name
377	Settlements for outsourcing	377.1	Factoring
		377.2	Forfaiting
		377.3	Cession

The specified addition will highlight outsourcing calculations from other receivables and will give transparency to practical activities.

Along with the transformation of the state of receivables during the transfer of debt rights to an outsourcer, there is a change in the source of economic benefits. Thus, the compensation expected to be received for the removal of rights to claim receivables to another counterparty will be reflected in the income from the sale of other current assets (subaccount 712). The application of the proposed sub-accounts will ensure the correctness of the display of operations on the transfer of ownership of receivables to an outsourcer.

3.2. Proposals for Improving the Accounting of Settlements with Creditors under the Conditions of Quarantine Measures

In the accounting process, settlements with suppliers and contractors are reflected in account 63 "Settlements with suppliers and contractors", which contains the following sub-accounts:

- 631 "Settlements with domestic suppliers";
- 632 "Settlements with foreign suppliers";
- 633 "Settlements with members of industrial and financial groups".

However, in today's conditions for enterprises, this information is not enough for quality planning of the organization, namely the terms and conditions of repayment of this debt. On the example of LLC "Antarex" (Kharkiv) for a more efficient organization of accounting obligations to suppliers and contractors, we offer the opening of second-order sub-accounts to synthetic account 63 with suppliers and contractors" (Table 3).

The introduction of these accounts in the accounting system of the enterprise will help control the accounts payable, the timing of its payment, which will allow more appropriate planning of settlements with suppliers and contractors. As for the debt for services rendered, it is advisable to accumulate it on sub-account 685 "Settlements with other creditors".

Table 3 Analytical accounts for accounting settlements with suppliers and contractors

Account	First-order sub-account	Second-order sub-account
63 "Settlements with suppliers and contractors"	631 "Settlements with domestic suppliers"	631.1 "Debts to domestic suppliers, the term of payment of which has not yet come"
		631.2 "Deferred debt to domestic suppliers in connection with quarantine measures"
		631.3 "Overdue debts to domestic suppliers"
	632 "Settlements with foreign suppliers"	632.1 "Debts to foreign suppliers, the term of payment of which has not yet come"
		632.2 "Deferred debts to foreign suppliers due to quarantine measures"
		632.3 "Overdue debts to foreign suppliers"
	633 "Settlements with domestic contractors"	633.1 "Debts to domestic contractors, the due date of which has not yet come"
		633.2 "Deferred debt to domestic contractors in connection with quarantine measures"
		633.3 "Overdue debt to domestic contractors"
	634 "Settlements with foreign contractors"	633.1 "Debts to foreign contractors, the term of payment of which has not yet come"
		633.2 "Deferred arrears to foreign contractors due to quarantine measures"
		633.3 "Overdue debts to foreign contractors"

In the future, when the quarantine measures are completed, and the company pays all "quarantine" debts, we advise you to leave these accounts and discuss with suppliers the terms of deferred payments. This will provide the company with resources for business development, business diversification and improvement.

3.3. Methodology to Control of Settlements with Counterparties under the Conditions of Quarantine Measures

To control and analyze payments with counterparties (for example, for the company LLC PO "Techna", Zhytomyr), we suggest using the methodology shown in Fig. 3.

The presented model allows you to apply an integrated approach to the study of the processes of occurrence and debt assessment in a logical sequence of all the steps necessary for this process. Also, it presents such an element as "Qualitative analysis of receivables and payables", which makes it possible to examine its composition and structure more deeply.

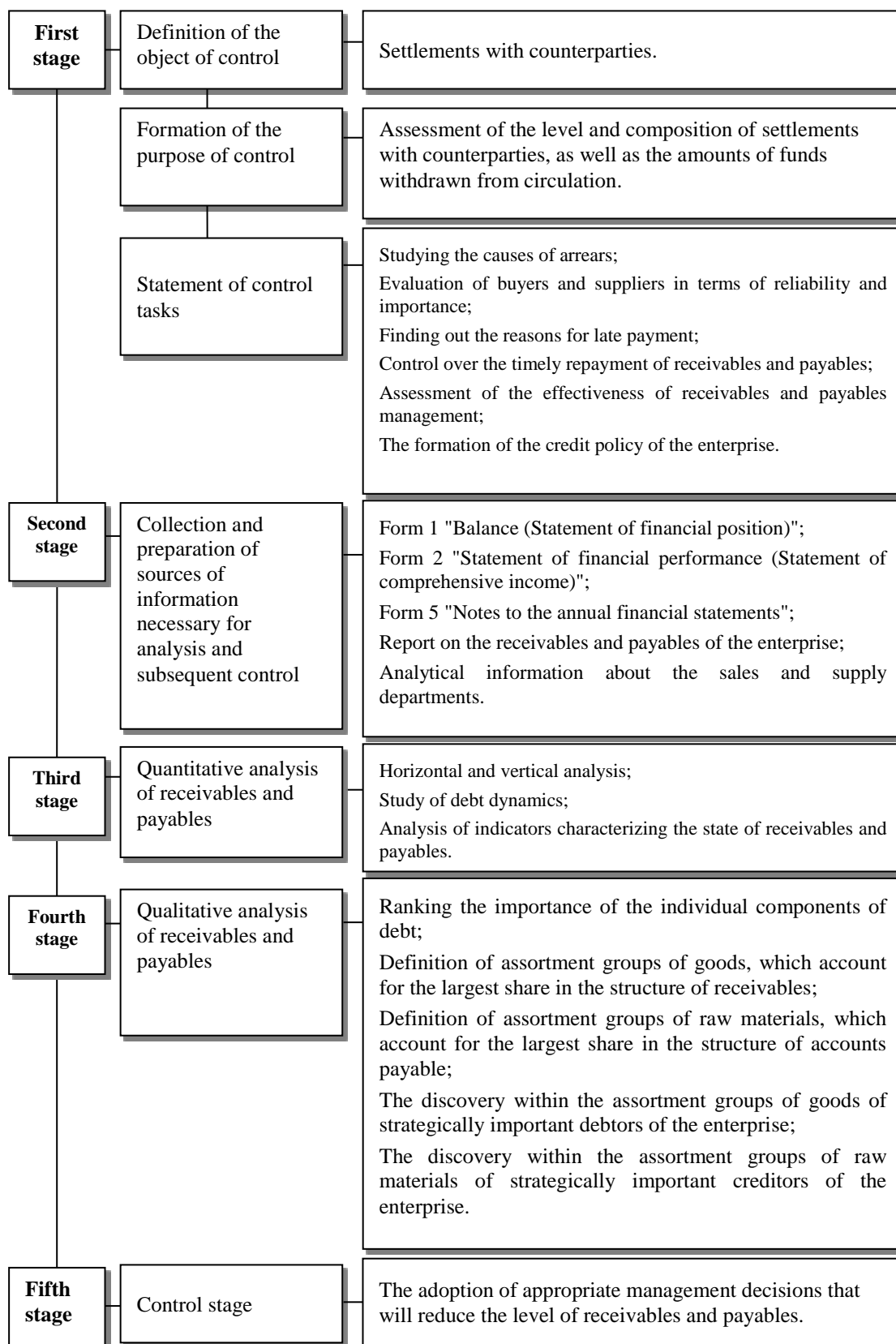


Figure 3 The proposed model of the methodology for controlling of settlements with counterparties

4. CONCLUSIONS

In the current COVID-19 pandemic, the problem of non-payment in Ukraine, their uncontrolled growth as trade debt is becoming common. Settlements with debtors and creditors at domestic enterprises are not entirely favourable, as there are significant amounts of debt and long maturities. One of the most challenging and controversial issues caused by the problem of non-payment is the establishment of adequately organized debt control, which, above all, should help prevent late payment and bring the debt to a state of bad debts. To ensure the implementation of the tasks listed above, you need high reliability of accounting data on the status of receivables and payables. This applies, first of all, to the information of analytical accounting, which is necessary for effective control over the timeliness of debt collection. The proposals presented in the article will help to improve the methodology of accounting and control of settlements with suppliers and contractors, reduce accounts payable and receivable and strengthen the financial condition of the enterprise.

Thus, the developed proposals for enterprises of Kharkiv, Kyiv, Lviv, Mykolayiv, Vinnytsia and Zhytomyr can help other enterprises rationalize and accounting and control of settlements with counterparties. This is a prerequisite for ensuring the competitiveness of the enterprise and achieving its goals.

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