



University of Security Management in Košice

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**ORGANIZATION OF ACCOUNTING OF  
ASSETS, LIABILITIES AND RESULTS  
OF ENTERPRISE ACTIVITIES**

**Monograph**

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**O-64** Organization of accounting of assets, liabilities and results of the enterprise activities: monograph. Košice: Vysoká škola bezpečnostného manažérstva v Košiciach, 2023. – 389 p.

The monograph highlights the results of research of theoretical, methodological and practical aspects of the formation of accounting information for the needs of management, regulatory regulation of the accounting system as an institutional factor in the organization and choice of forms of accounting of the enterprise, organization of accounting of assets, liabilities and results of agricultural enterprises. The problems of the methodology for organizing the accounting of individual objects and ways to solve them are revealed.

The monograph is intended for applicants of all levels of higher education, researchers, employees of agricultural enterprises, teachers who study the problems of organizing accounting.

The materials of the monograph reflect the results of the research carried out in the framework of research work “Information resources for the formation of the mechanism of economic security of the enterprise for the purposes of management in a competitive environment” (state registration number 0119U100043).

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## PREFACE

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Systematic consideration of the organization of accounting, taking into account the participation of Ukraine in the European integration process, also makes it possible to determine the state and features of the national accounting system, to identify factors and patterns of its development. In this process, the analysis of the historical path of accounting reform, assessment of the institutional features of the accounting systems of different countries is also involved in the study of the sectoral features of its organization at the enterprise.

One of the tasks of accounting is to provide information to internal and external users for the implementation by the latter of effective and operational management of a business entity in modern conditions. For this purpose, accounting should be organized in accordance with the requirements of current legislation and the conditions of a particular business unit. Without proper organization of accounting, it is impossible to achieve positive results of activity, since it is one of the most crucial stages in the creation of an enterprise, as well as a guarantee of profitability in the future. Accounting is part of a common information system that converts the primary data recorded in the documents into a management product.

During the formulating the concept of the organization of accounting in an enterprise it is necessary to take into account that accounting is a complex process associated with the accumulation of data on the facts of economic activity of an enterprise, their assessment and processing in order to transform them into information for users according to certain laws, principles, postulates, rules, algorithms and procedures using a set of tools (double entry accounts, entries in registers). The organization of accounting should be considered as a set of operations, the implementation of which provides a comprehensive organization of accounting based on the specific features of the enterprises in relation to which it is

applied. It should be remembered that the accounting system is considered as the main supplier of accounting information.

The monograph is devoted to the study of theoretical, methodological and organizational foundations of accounting at agricultural enterprises. An important aspect of preparing accountants for the challenges of the future is an effective system of education and training of specialists who will work in this area for the next decades.

The materials of the monograph reflect the results of the research carried out in the framework of research work "Information resources for the formation of the mechanism of economic security of the enterprise for the purposes of management in a competitive environment" (state registration number 0119U100043).

## CHAPTER 1

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### ORGANIZATION OF ACCOUNTING OF THE ASSETS OF THE ENTERPRISE

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#### 1.1. Conceptual foundations of the organization of accounting of the assets of the enterprise

In the context of a sharp drop in the purchasing power of the national currency and inflationary processes that have engulfed the world and domestic economies caused by the coronavirus epidemic, there was a special need to improve the quality of accounting information, to ensure the management system and further solve the problems of effective and rational use of material resources. Rationally constructed accounting will create an opportunity to ensure a regime of economy, reduction and elimination of unproductive expenses.<sup>1</sup>

According to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, assets are resources controlled by an enterprise as a result of past events, the use of which is expected to lead to economic benefits in the future.<sup>2</sup>

Non-current assets are assigned an important role to ensure the activities of business entities of all forms of ownership. Usually, in the total value of an enterprise’s property, the value of non-current assets is almost half, or even more, of the total value of the property. In the economic activities of enterprises, non-current assets are used for a long period of time, and therefore, significantly affect the financial results of activities. Accounting for non-current assets affects both the financial condition of business entities and the quality of the statements presented by them.<sup>3</sup>

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<sup>1</sup> Hnatyuk A. A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>2</sup> Law of Ukraine “On accounting and financial reporting in Ukraine” of 16.07.1999 No. 996-XIV

<sup>3</sup> Brazil N.M., Krot Yu.M., Pasternak Y.P. Directions of determining the economic essence of non-current assets and their classification in the accounting and reporting system. *Financial space*. 2022. No. 1. pp. 7-14.

Among the tasks facing the business entity, a special place is occupied by the classification of accounting objects. Financial and tax indicators depend on its solution at a particular enterprise. In order to properly organize the economic activity of the enterprise, you should know what means it has, in which these funds are invested. Therefore, the distribution of enterprise resources into separate groups is necessary to understand and summarize the accounting information used by users of financial statements. Their fuzzy classification can lead to a partial loss of information connections important to interested parties. The issue of classification and grouping of accounting information occupies an important place in accounting theory.<sup>4</sup>

According to the definition that “classification is the distribution of objects, concepts, names by classes, groups, categories, in which objects with quantitative and qualitative common features fall into one group”, we consider it possible to interpret the classification of assets as their grouping on a certain basis depending on the goal for which it is performed.<sup>5</sup>

To ensure the usefulness of information on the presence of non-current tangible assets, which is submitted to users by classification, it is necessary that it meets certain qualitative characteristics (Table 1.1).

The first basic characteristic of the classification of elements is the essence. It is used to express what should generally be necessary for some, temporary uncertain outcome.

*Table 1.1*

**Qualitative characteristics of the classification of non-current tangible assets**

Type of characteristics	The essence of the quality characteristic
Essence	The expediency of the proposed classification, according to its essence and economic reality, and not only on the basis of its legal form
Relevance	Usefulness, concreteness, unambiguous interpretation of the proposed classification

<sup>4</sup> Hnatyuk A.A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>5</sup> The same source.



Objectivity	The information is subjective because it shows the interests of interested parties
Reliability	Absence of errors, that is, prevention of distortion of information during the classification
Content	User's understanding of the information received from the transmitter, methods of sign expression
Comparison	Ability to establish similarities and discrepancies between types of classification features

Source: formed by the author<sup>6</sup>

The classification of non-current tangible assets is essential if its importance is important for users of financial statements. Since the accounting system is subordinated to the management system, therefore, it is necessary to make timely decisions on the implementation of the task, and in the absence of the necessary information, the management process becomes more complicated, so the goal will not be achieved.

A very large or very small amount of data can cause user errors. With a large amount of classification features, the user will receive complex data, on the basis of which he can make inadequate decisions. At the same time, too little information will not provide reliable forecasting and making informed decisions. Thus, the essence limits the impact of information on the classification features of non-current tangible assets.<sup>7</sup>

The next qualitative characteristic of the classification is relevance. It predetermines the formation of classification features regarding the actions for which it is intended, that is, only the information that the user needs is proved.

As W. Churchman noted: "there is no reasonable plan for improvement without knowledge of the entire relevant system, .... the system is not something that exists 'outside of us', but is a system judgment made on the basis of knowing the entire sum of relevant conditions". At the same time, the classification features are specified depending on what is the object of the definition: goal, understanding or solution (Table 1.2).<sup>8</sup>

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<sup>6</sup> Hnatyuk A.A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>7</sup> The same source.

<sup>8</sup> Hnatyuk A.A. Evaluation and accounting of non-current tangible assets in the agricultural business : Monograph. Rivne : Volyn. Amulets, 2019. 196 p.

Table 1.2

**Relevance of information in the classification of non-current tangible assets**

Types of relevance	Characteristics of types of relevance
Target relevance	Ensures the achievement of the user's goal. It is difficult to establish its presence, since the goal is subjective.
Semantic relevance	Provides the user with an understanding of the meaning of the classification presented.
Relevance of the solution	Promotes the right decisions for users.

*Source: formed by the author<sup>9</sup>*

Most authors do not consider the generally accepted classification to be objective, since the information always shows the interests of interested persons, users of information, as a result of which it is subjective.

Also, when forming information, it is necessary to adhere to accounting principles, which will allow the administration to receive objective information independent of users.

The reliability of information in the process of classification of non-current tangible assets is provided by the following functions:

- representative probability, which ensures compliance or consistency between non-current tangible assets and the formation of their value;
- verification – establishment of a coordinated expert opinion on the classification of non-current tangible assets, which reproduces what was intended, and this will contribute to the choice of a reliable method of valuation of non-current tangible assets;
- neutrality – the ability to accurately determine the belonging of non-current tangible assets to a certain group;
- comparison – the ability to compare one non-current tangible asset with another, or with the same non-current tangible asset, but existing at another time and classifying it as the appropriate class.<sup>10</sup>

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<sup>9</sup> Hnatyuk A.A. Evaluation and accounting of non-current tangible assets in the agricultural business : Monograph. Rivne : Volyn. Amulets, 2019. 196 p.

<sup>10</sup> Hnatyuk A. A. A new look at the classification of non-current tangible assets

For the full economic characteristics of non-current tangible assets, it is necessary to conduct a study of the classification from a regulatory and scientific point of view.

The economic literature provides various classification features by which non-current assets are grouped (Table 1.3)

*Table 1.3*

**Classification of non-current assets according to various criteria**

Classification feature	Types of non-current assets
By industry	Agricultural Industrial Building Transport Communication
By use	Acting Nediyuchi
On the basis of belonging	Own Rented
According to the material and material form	Material Intangible
By functional purpose	Production Non-production

*Source: developed by authors<sup>11</sup>*

The classification of non-current assets for accounting purposes is given in Table 1.4.

The national Regulations (standards) of accounting and the Tax Code of Ukraine contain certain features and classifications that accountants are guided by. Sometimes in the classification given in the regulatory literature, a kind of "failure" occurs, that is, in the classification system, groups coexist on the basis of various signs. Sometimes objects are grouped using several signs of classification at once, and some of the possible signs are not traced at all.

According to NR(S)A 7 "Fixed assets" "non-current tangible assets" (paragraph 5) are divided into three groups:

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in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>11</sup> Brazil N.M., Krot Yu.M., Pasternak Y.P. Directions of determining the economic essence of non-current assets and their classification in the accounting and reporting system. *Financial space*. 2022. No. 1. pp. 7-14.

Table 1.4

**Classification of non-current assets for accounting purposes**

No.	Group of non-current assets	The most typical examples
1	Investment real estate	Real estate that is used exclusively for generating revenue by leasing.
2	Fixed assets	Land, buildings and structures, machinery, equipment, cars, animals, tools, appliances, furniture.
3	Other non-current tangible assets	Other types of fixed assets: temporary structures (fences, vans, kiosks), low-value non-current tangible assets, books in libraries, the cost of improvements or modernization of leased fixed assets.
4	Intangible assets	Licenses for the use of computer programs, acquired trademarks, other intellectual property.
5	Accumulated depreciation (depreciation)	Depreciation (depreciation), which were accumulated over the years (fixed assets, intangible assets, biological assets).
6	Long-term financial investments	Purchased shares of other companies for the purpose of controlling and receiving dividends for a long period, bonds with a maturity of more than a year, etc.; there may be long-term bank deposits (more than a year).
7	Capital investments	Funds spent on the creation of fixed assets, intangible assets, long-term biological assets.
8	Long-term biological assets	In agricultural enterprises, animals that are used for the purpose of long-term revenue generation (a herd of dairy cows, horses, sheep, other livestock); perennial plantings, such as apple orchards.
9	Deferred tax assets	An artificial asset that arises as a result of the peculiarities of calculating revenue tax, in particular, the transfer of a loss on a tax return for subsequent periods. Can exist only among revenue tax payers.
10	Long-term receivables	Receivables with a maturity of more than a year, for example, a loan issued to an employee, debt on the bill received.
11	Other non-current assets	There may be long-term expenses of future periods; there may also be long-term deposits if the use of money is not possible within 12 months; assets that arise on leased fixed assets when applying the norms of the new

		IFRS 16 “Lease”.
12	Goodwill	An artificial asset that arises when acquiring enterprises, integral property complexes, controlling stakes and drawing up consolidated financial statements.

Source: developed by authors <sup>12</sup>

- group 1 – fixed assets;
- group 2 – other non-current tangible assets;
- group 3 – unfinished capital investments.

The sign of such a separation is not clear, in particular, regarding the division of objects into groups 1 and 2. Also, in the instructional materials there is no definition of “other non-current tangible assets”. Further, the provision is divided into subgroups, on the one hand, on the basis of functional purpose, these are subgroups: “Land plots”, “Machinery and equipment”, “Tools, appliances, inventory (furniture)”, etc. On the other hand, a group of division by value is allocated, the limit value of which the company establishes independently (this is a subgroup “Low-value non-current tangible assets”).

The assumption that this classification is needed to determine the rules for accounting for an object, depending on which group, or subgroup it can be enrolled, does not justify itself. Some differences between groups (subgroups) are in the rules for calculating depreciation:

- the value of unfinished capital investments (group 3) and land plots (group 1, subgroup 1.1) is not depreciated;
- the value of the objects of the group (except for land plots) is depreciated using the rectilinear method, the method of reducing the residual value, the accelerated decrease in residual value, the cumulative, production method;
- depreciation of objects of group 2 is charged using the rectilinear method, the method of reducing residual value, accelerated reduction of residual value, cumulative, production method.

Depreciation of low-value non-current tangible assets and

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<sup>12</sup> Brazil N.M., Krot Yu.M., Pasternak Y.P. Directions of determining the economic essence of non-current assets and their classification in the accounting and reporting system. *Financial space*. 2022. No. 1. pp. 7-14.

library funds may be charged in the first month of use of the object in the amount of 50% of its depreciable value and the remaining 50% of the depreciable value in the month of their withdrawal from assets (write-off from the balance sheet) due to non-compliance with the criteria for recognition as an asset or in the first month of use of the object 100 percent of its value.<sup>13</sup>

Also noteworthy is the fact that for the needs of accounting, such a group of non-current tangible assets as investment real estate is allocated. In paragraph 4 of NR(S)A 32 “Investment real estate”, the following definition is given: “Investment real estate is own or leased on the terms of financial lease of land, buildings, structures that are located on land received for the purpose of receiving rental payments and increasing equity, and not for the production and supplies of goods, the provision of services, administrative purposes or sale in the course of ordinary activities”.<sup>14</sup>

The very definition of the composition of real estate causes misunderstandings, because land, now, are not valued, so they can not be included in the real estate. Also, paragraph 9 of the same standard states that the unit of accounting for investment real estate is a land plot, a building (part of a building) or a combination thereof, as well as assets that form an integral complex with investment real estate and collectively generate cash flows. This provision proposes to combine the value of land, buildings, structures and other assets on one analytical account, which does not make it impossible to charge depreciation.<sup>15</sup>

Summarizing the above, we propose to divide investment real estate into two groups: group 1 – land plots; group 2 – buildings (structures) or their combinations that form investment real estate.

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<sup>13</sup> Hnatyuk A.A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>14</sup> National Regulation (standard) of accounting 32 “investment real estate”: order of the Ministry of Finance of Ukraine No. 779 of 02.07.2007. URL: <https://zakon.rada.gov.ua/laws/show/z0823-07>.

<sup>15</sup> National Regulation (standard) of accounting 32 “investment real estate”: order of the Ministry of Finance of Ukraine No. 779 of 02.07.2007. URL: <https://zakon.rada.gov.ua/laws/show/z0823-07>.

Regarding accounting for tax purposes, we note that the current classification is established only for fixed assets and other non-current assets, and fixed assets are understood as “tangible assets, including mineral reserves, data for use, plots, subsoil (except for the value of land, unfinished capital investments, public roads, library and archival funds, tangible assets, the value of which does not exceed UAH 20000, non-productive fixed assets and intangible assets) appointed by the taxpayer for use in the economic activities of the taxpayer, the value of which exceeds UAH 20000 and gradually decreases due to physical or moral depreciation and expected useful life (operation), which from the date of commissioning is more than one year (or the operating cycle, if it is longer than a year)”. As can be seen, in this definition of a set of objects there is such a sign of classification as use in economic activity, and the value attribute – the lower limit of 20000 UAH – can be considered, albeit an important, but secondary feature of classification. At the same time, it is noted that the useful life (operation), which from the date of commissioning is more than one year (or the operating cycle, if it is longer than a year) – nothing more than simply determining the sign of a mega group – are unused in the process of using things.<sup>16</sup>

In accordance with the classification given in paragraph 1 of Art. 145 of the Tax Code of Ukraine, the following objects are divided into 16 groups:<sup>17</sup>

- group 1 – land plots;
- group 2 – capital expenditures for land improvements that are not related to construction;
- group 3 – buildings, structures, transmitting devices;
- group 4 – machinery and equipment;
- group 5 – vehicles;
- group 6 – tools, appliances, inventory (furniture);
- group 7 – animals;
- group 8 – perennial plantings;

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<sup>16</sup> Hnatyuk A.A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>17</sup> Tax Code of Ukraine: Law of Ukraine No. 2755 of 02.12.2010. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>.

- group 9 – other fixed assets;
- group 10 – library funds;
- group 11 – low-value non-current tangible assets;
- group 12 – temporary (not titular) buildings;
- group 13 – natural resources;
- group 14 – inventarna tara;
- group 15 – rental items;
- group 16 – long-term biological assets.<sup>18</sup>

It is not easy to single out a sign of classification, so the description of the groups should be taken for granted. Of course, this classification is needed so that taxpayers apply their own accounting rules to each of the selected groups.

Comparative characteristics of non-current assets in tax and accounting are shown in Table 1.5.

*Table 1.5*

**Comparative characteristics of non-current assets in tax and accounting**

Characteristic	Tax definition	Accounting definition
Materiality	Only tangible assets can be considered fixed assets.	Only tangible assets can also get to fixed assets.
	There should be no misunderstandings with this	
Expected useful life (operation)	The status of fixed assets claims assets that are non-current. That is, their useful life from the date of commissioning should exceed a year (or the operating cycle, if it is longer than a year).	Exceeds one year (or operating cycle if it is longer than a year)
	In this aspect, both definitions are identical	
Use in economic activities	Of the non-current tangible assets, only those that the company plans to use in its own business activities fall into tax fixed assets. "Non-productive fixed assets" are those that are not intended for use in the economic activities of the taxpayer, and therefore are not depreciated.	There is no division into production and non-production fixed assets. Use in economic activity is not a determining factor in the accounting classification of a non-current tangible asset as a fixed asset.

<sup>18</sup> Tax Code of Ukraine: Law of Ukraine No. 2755 of 02.12.2010. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>



Cost criterion	The initial value of the acquired or created non-current tangible asset must exceed UAH 20000. from 23.05.2020 (until 23.05.2020 - 6000 UAH). The initial cost is determined according to the rules of NR(S)A7.	It is established by the enterprise independently and is fixed in the order on accounting policies.
	Are not the main means: - land; - unfinished capital investments; - public roads; - library and archival funds; - tangible assets, the value of which does not exceed UAH 20000; - non-productive fixed assets; - intangible assets	Only unfinished capital investments do not fall into fixed assets

Source: developed by authors<sup>19</sup>

Another regulatory document that provides information for the classification of any material object is SC 013-97 State Classifier of Ukraine.

The classifier cannot be fully suitable for the classification of objects of both tax and accounting, since to determine the group of fixed assets for depreciation for tax purposes, it is necessary to be guided by the Tax Code, and for the formation of information on fixed assets in accounting – NR(S)A 7 “Fixed Assets”. Also in the Classifier there are a number of significant differences that relate to both terminology and the list of objects:

- the term “fixed assets” was used;
- the composition of fixed assets includes current biological assets;
- the fixed assets include library funds, funds of scientific and technical information, archives, museums;
- fixed assets do not include low-value non-current tangible assets, temporary non-title structures, natural resources, rental items.<sup>20</sup>

<sup>19</sup> Brazil N.M., Krot Yu.M., Pasternak Y.P. Directions of determining the economic essence of non-current assets and their classification in the accounting and reporting system. *Financial space*. 2022. No. 1. pp. 7-14.

<sup>20</sup> Hnatyuk A. A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

To classify long-term biological assets, we use the Methodological Recommendations for accounting of biological assets, which provide for the following classification:

- according to their “related” characteristics, namely by groups, one of which includes animals, and the second – plants;
- according to the methods of valuation of long-term biological assets, namely at the initial or fair value, reduced by the amount of expenses expected at the place of sale;
- according to the degree of achievement by the long-term biological asset of the fertile state at the time of reporting (mature and immature).

From a scientific point of view, the widest classification of non-current tangible assets was conducted by I.O. Blank. He identifies several classification features for the purposes of managing non-current assets: according to the main functional types; by the nature of servicing certain areas of operational activity; by the nature of ownership, according to the forms of collateral for the loan and the peculiarities of insurance; by the nature of the attribution of wear. Y.V. Oshmarin – in the context of depreciating property and non-depreciating property.<sup>21, 22</sup>

On the basis of belonging, some authors divide non-current tangible assets into their own and leased. N.V. Petrunyak proposes to divide the assets into own, leasing and free of charge received, since “the assignment of leased fixed assets to the assets is regulated by NR(S)A14 “Lease”. The tenant shows in the accounting records the object received in the financial lease simultaneously as an asset and liability at the lowest estimate at the beginning of the lease term: the fair value of the asset or the present value of the amount of the minimum rental payments, which, in its essence, is leasing. And the object of operating lease, in accordance with NR(S)A 14 “Lease”, is not an asset.<sup>23</sup>

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<sup>21</sup> Blank I.A. Financial management: training course. Kyiv: Elga, Nika-Tsentr, 2004. 656 p.

<sup>22</sup> Oshmarin Y.V. Accounting support for the depreciation policy of agricultural enterprises: autoref. Dis. cand. Economy. Sciences: 08.06.04. Kyiv, 2008. 20 p.

<sup>23</sup> Petrunyak N.V. Classification of assets of the enterprise, taking into account

The classification of long-term biological assets for agricultural enterprises was developed by N.V. Perevoznik, which identifies the following classification features: by industry; on the ability to bring economic benefits on the balance sheet date; by the method of evaluation; by method of use in the production process; by ownership. S.F. Golov, taking into account the requirements of IFRS 41 “Agriculture”, proposes to include in the classification of consumed and fertile biological assets. The biological assets consumed are those from which crops are harvested in the form of agricultural products or that are sold as biological assets (cattle are intended for meat production; livestock obtained for the purpose of sale; fish in fish farms; cereals such as corn or wheat; forest grown to produce wood). Fertile biological assets are all biological assets other than consumer assets (livestock for milk, vineyards, fruit trees).

24,25

Having summarized the main classification criteria and developments in the grouping of non-current tangible assets, as well as in order to summarize all points of view and resolve controversial issues, we offer an updated classification of non-current tangible assets, in accordance with the classification features (Table 1.6).

Table 1.6

**Classification of non-current tangible assets**

Classification features, by criteria	Types of non-current tangible assets	
	Fixed assets	Long-term biological assets
Functional purpose	production, non- production	
Sectors of the economy	industrial, construction, agricultural, transport, communications, etc.	agriculture, forestry, hunting; landscape gardening, fisheries

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international financial reporting standards. Collection of scientific works of the National University of the State Tax Service of Ukraine. 2010. No. 1. pp. 235-242.

<sup>24</sup> Carrier N.V. Classification of biological assets in accounting and reporting. *Formation of market relations in Ukraine*. 2007. No. 8 (75). pp. 71-76.

<sup>25</sup> Vovchuk T.I. Accounting and analytical support for managing the formation and use of forest biological assets: dis. cand. econ. Sciences: 08.06.04. Kyiv, 2009. 165 pp.

Using	working (active), non-working (passive), spare	
Property	own, rented	own, rented
Natural-material characteristics	land, buildings, structures, transfer equipment, machinery and equipment	animal husbandry, crop production
The ability to bring economic benefits		long-term, immature
Method of use in the production process		consumed, fertile
Ownership	state, legal entities, individuals	state, legal entities, individuals
By assessment method	initial, residual, liquidation, restorative, revalued and fair value	initial cost, fair value
The possibility of depreciation	those that depreciate, those that do not depreciate	those that depreciate, those that do not depreciate

Source: formed by the author<sup>26</sup>

The proposed classification makes it possible to distinguish non-current tangible assets from other assets of the enterprise, namely for:

- criterion of form – the object must have a material form;
- the criterion of appointment – the company intends to use the object in its activities (that is, the object is not intended for sale);
- criterion of term of use – the estimated useful life of the object must be more than a year (or more than the operating cycle, if it is longer than a year).<sup>27</sup>

The most important component of ensuring the functioning of the enterprise are current assets, since they are the main driving force of the enterprise.<sup>28</sup>

In accordance with the National Regulation (Standard) of Accounting 1 “General Requirements for Financial Statements”,

<sup>26</sup> Hnatyuk A.A. A new look at the classification of non-current tangible assets in a crisis. *Modern Economics*. 2021. No. 25. pp. 46-51.

<sup>27</sup> The same source.

<sup>28</sup> Brovko L.I., Yurchenko A.A., Korolkova T.V. Optimization of current assets and their impact on the activities of the enterprise. *Investments: practice and experience*. 2021. No. 2. pp. 16–22.

current assets are money and cash equivalents that are not limited in use, as well as other assets intended for sale or use during the operating cycle or within twelve months from the balance sheet date.<sup>29</sup>

In scientific sources there are a large number of options for interpreting the concept of “current assets”, but they all summarize common features, which in turn characterize current assets from different sides.

Thus, “current assets” are assets that are used by the enterprise for twelve months or the operating cycle and transfer their value to the value of the newly created products in full, ensuring a continuous process of production and sale.<sup>30</sup>

Current assets are distinguished and grouped according to different criteria that have a diverse purpose and are a prerequisite for the successful organization of accounting, since the ability to timely and correctly dispose of current assets, the possibility of operational analysis and forecasting, the validity of management decisions, and ultimately the qualitative reflection of information about current assets in the company’s statements depend on it (Table 1.7).<sup>31</sup>

Table 1.7

**Classification of current assets by signs and types**

No.	Classification feature	Type of current assets
1.	Depending on participation in the cycle	<ul style="list-style-type: none"> <li>- current assets in the field of production</li> <li>- current assets in the sphere of circulation</li> </ul>
2.	Behind the views	<ul style="list-style-type: none"> <li>- supplies of raw materials, materials, semi-finished products</li> <li>- supplies of finished products</li> <li>- accounts receivable</li> <li>- cash</li> </ul>

<sup>29</sup> National Regulation (Standard) of Accounting 1 "General requirements for financial statements" of 07.02.2013 No. 73. URL: <https://zakon.help/law/73/>.

<sup>30</sup> Brovko L.I., Yurchenko A.A., Korolkova T.V. Optimization of current assets and their impact on the activities of the enterprise. *Investments: practice and experience*. 2021. No. 2. pp. 16–22.

<sup>31</sup> Demchenko T.A. Organization of accounting for current assets as an important link in enterprise management. Implementation of innovations of accounting and analytical support for sustainable development of modern business: II sci.-pract. Internet-conf. April 18, 2019, pp. 204–206.

		- other
3.	According to the method of reflection in the balance sheet of the enterprise	- tangible current assets (supplies) - receivables (funds in settlements) - cash
4.	According to the forms of functioning	- material current assets - financial current assets
5.	By period of operation	- permanent part of current assets - variable part of current assets
7.	By the nature of the sources of formation	- gross - clean - own
8.	By speed of circulation	- with a high speed of circulation; - with an average turnover rate; - with low turnover speed
9.	According to the degree of liquidity	- absolutely liquid - fast liquid - little liquid

Source: <sup>32</sup>

By the nature of participation in the operating cycle, current assets are divided into those that serve:

1. Production cycle of the enterprise (supplies of raw materials, materials, semi-finished products; work in progress, finished products);
2. Financial cycle of the enterprise (cash, receivables, current investments).

The presented distribution allows us to consider such an important problem of the organization of current assets as their rational placement between the spheres of production and circulation.

By type (by elemental composition), the current assets of the enterprise are divided into:

- Supplies of raw materials, materials and semi-finished products. This type of current assets characterizes the volume of incoming material flows in the form of Supplies that ensure the production activities of the enterprise;
- Supplies of finished products, which characterize the current volume of output material flows in the form of Supplies

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<sup>32</sup> Donin E.O. Features of modern approaches to the specifics of the classification of current assets of an enterprise. *Economics and organization of management*. 2018. No. 1 (29). pp. 75–85.

of manufactured products intended for sale. Sometimes this includes work in progress, adjusted for its completion rate for certain types of products;

- Receivables. It characterizes the amount of debt in favor of the enterprise, represented by the financial liabilities of legal entities and individuals on payments for goods, works, services, advances issued, etc.

- Cash. These include not only cash balances in national and foreign currency, but also the amount of short-term financial investments, which are considered as a form of investment use of temporarily free balances;

- Other types of current assets. These include current assets that are not included in the above.<sup>33</sup>

The classification by type, considered by almost all scientists, coincides with the classification according to the method of reflection in the balance sheet of the enterprise. Given this, current assets should be distributed in the forms: material (in non-monetary form); financial (in cash).<sup>34</sup>

According to the period of operation, current assets are divided into: permanent; variables.

A permanent part of current assets is an irreducible minimum of current assets that an enterprise needs to carry out operating activities. This is the part of working capital that does not depend on seasonal fluctuations.

The variable is that part of current assets, the need for which is due to periodic changes.

By the nature of the financial sources of the formation distribute current assets into:

- gross (total amount of assets formed at the expense of own and loan capital);

- net (part of current assets formed at the expense of own and long-term borrowed capital);

- own current assets (formed at the expense of only

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<sup>33</sup> Maksimova V.F. Accounting: textbook. Odessa : ONEU. 2012. 301 pp.

<sup>34</sup> Solyanik L. G. Working capital of an industrial enterprise: optimization of management. Monograph. 2009. 239 pp.

equity).<sup>35</sup>

One of the most important characteristics of current assets is their turnover, which allows you to determine how quickly an enterprise will be able to repay its current liabilities at a certain time during the operating cycle. Therefore, current assets are classified, *depending on the speed of circulation*, into those that have:

- high speed (cash, supplies of goods of high and constant demand);
- average speed (supplies of tangible current assets within the standard, current financial investments);
- low turnover rate (excess inventories, receivables).<sup>36</sup>

According to the degree of liquidity, current assets are divided into:

- absolutely liquid current assets (money and cash equivalents, current financial investments that do not require sale and are already ready-made means of payment);
- fast-liquid current assets (all types of receivables, except hopeless);
- low-liquid current assets (production supplies of production resources, expenses of future periods with a maturity of 6 months or more).<sup>37</sup>

Current assets consistently take monetary and commodity form and, being in constant motion, ensure an uninterrupted circulation of funds in enterprises. The circulation of funds begins with the advancement of value in cash for the purchase of goods, equipment, materials, fuel and other means of production – this is the first stage of the cycle. The moment of advancement is one of the essential and distinctive features of working capital, as it plays an important role in establishing their economic boundaries.

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<sup>35</sup> Solyanik L.G. Working capital of an industrial enterprise: optimization of management. Monograph. 2009. 239 pp.

<sup>36</sup> Mazaraki A.A. World market for goods and services. Textbook for universities. Kharkiv. 2008. 240 pp.

<sup>37</sup> Dyadyuk M.A., Vasilyeva V.V. Current assets as an object of management in the process of development and adoption of economic decisions. *Economic strategy and prospects for the development of trade and services*. 2012. Issue. 1(1). pp. 263–271.



The second stage of the cycle occurs in the production process, where labor carries out productive consumption of the means of production, creating a new product that carries the transferred and newly created value. The advanced cost again changes its shape – from productive it goes to the commodity one.

The third stage of the cycle is the sale of finished products (goods, works, services) and the receipt of funds. At this stage, working capital again moves from the sphere of production to the sphere of circulation. Interrupted commodity circulation is restored, and the value from the commodity form passes into the monetary one. The difference between the amount of funds spent on the sale of products (services) and received from the sale of products (services) is the monetary accumulation of enterprises. The temporary criterion for the advancement of working capital should not be the quarterly or annual volume of funds, but one cycle. Having completed one cycle, working capital is reimbursed and enters the next circle, thereby their continuous movement is carried out (Fig. 1.1).

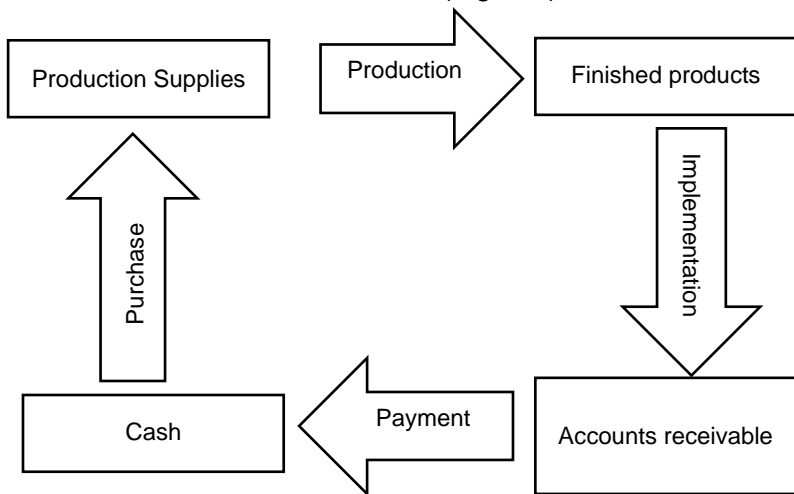


Fig. 1.1. Circulation of current assets of a manufacturing enterprise

Source: <sup>38</sup>

<sup>38</sup> Shapovalov A.A. The essence and role of current assets in economic

The production process, of which current assets are an integral part, is complicated in the absence of one of the groups of current assets or becomes impossible at all. In the absence of a sufficient amount of production Supplies, downtime, disruption of production, fading of product lines may occur. Instead, a significant increase in the amount of receivables leads to a decrease in cash in circulation, which does not allow the company to meet its need for production Supplies without attracting working capital from external sources.<sup>39</sup>

The organization of accounting for current assets includes the following tasks:

1. The choice of primary documents that will be used to draw up transactions with current assets.
2. Ensuring correct and timely documentation of transactions for the receipt, movement and disposal of assets.
3. Correct grouping (classification) of assets.
4. The choice of asset accounting methods.
5. Determination of the liabilities of accounting workers to reflect in the accounting of operations with current assets, the preparation of accounting registers and the formation of relevant indicators of financial statements.

Economic activity of enterprises is carried out and regulated by certain rules and laws. The basis of regulation in the economy of any country is the regulatory framework. Legislative regulation forms the basis of the legal framework and determines the basic rules of activity of any enterprises, it is this regulation that is responsible for the smoothness of relations not only between business entities, but also between individuals.

The regulatory documents that determine the procedure for organizing and accounting for current assets include regulatory documents of various levels, which, determining the basis of the activity of a business entity in the field of accounting, taxation and control, have an indirect impact on the process of

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activity and the circulation of funds of enterprises. *Student Scientific Bulletin. Economic Sciences*. 2017. Issue. 2 (17). Ch. 1. pp. 25–31.

<sup>39</sup> Hryniuk I. Economic essence of current assets and their typology. *Agricultural and Resource Economics: International Scientific E-Journal*. 2016. No. 4. URL: <https://ageconsearch.umn.edu/record/256865/file/8F.pdf>

movement of current assets and, accordingly, their accounting reflection. A significant component of the current assets of the enterprise are supplies.

Regulatory regulation of the organization of inventory accounting should be considered at the global, national and local levels (Fig. 1.2).



Fig. 1.2. Levels of regulatory support for the organization of inventory accounting

Source: <sup>40</sup>

Methodological principles of formation in accounting of information on the company's Supplies and its disclosure in the financial statements are determined by NR(S)A 9 “Supplies”, according to which supplies are assets that: are held for further sale under the conditions of ordinary economic activity; are in the process of production for the purpose of further sale of the product of production; are kept for consumption during the production of products, the performance of work and the provision of services, as well as the management of the

<sup>40</sup> Syrtseva S.V. Karkanitsa M.V. Regulatory and legal support for inventory accounting in modern conditions. URL: <http://dspace.mnau.edu.ua/jspui/bitstream/123456789/1084/1/>

enterprise.<sup>41</sup>

In addition, when organizing inventory accounting, it is necessary to use the following legislative and regulatory documents of Ukraine:

1. The Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, which defines the legal basis for the regulation, organization, accounting and preparation of financial statements, including supplies, the procedure for registration of primary documents and accounting registers, the liabilities of enterprises in carrying out inventory, in particular in terms of reflecting Supplies balances on the date of the balance sheet.<sup>42</sup>

2. National Regulation (standard) of accounting 1 “General requirements for financial statements”, which defines the purpose, composition and principles of preparation of financial statements and requirements for the recognition and disclosure of its elements, including in the formation of information about Supplies.<sup>43</sup>

3. Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, which defines a brief description and purpose of synthetic accounts and subaccounts of class 2 “Supplies”, a typical scheme of registration and grouping of information on business transactions.<sup>44</sup>

4. Methodical recommendations on inventory accounting, revealing the total composition of supplies for accounting purposes: basic and auxiliary raw materials, materials, fuel, spare parts, finished products, goods in the form of material

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<sup>41</sup> On approval of the regulation (standard) of accounting 9 “Supplies”: order of 20.10.1999 No. 246 URL: <http://zakon2.rada.gov.ua/laws/show/z0860-99>.

<sup>42</sup> Law of Ukraine “On Accounting and Financial Reporting in Ukraine” of 16.07.1999 No. 996-XIV, as amended. URL: <http://zakon4.rada.gov.ua>.

<sup>43</sup> National accounting standard 1 “General requirements for financial reporting”: order of the Ministry of Finance of Ukraine No. 73 of 07.02.2013. URL: <http://zakon4.rada.gov.ua/laws/show/z0336-13/page>.

<sup>44</sup> On approval of the instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations: order of 21.12.1999 No. 291. URL: <http://www.dtk.com.ua/show/2bi>.

values intended for resale, current biological assets.<sup>45</sup>

The main regulatory documents in Ukraine that determine the procedure for carrying out business transactions with biological assets at agricultural enterprises are: NR(S)A 30 "Biological Assets" and Methodical recommendations for accounting of biological assets.<sup>46, 47</sup>

According to NR(S)A 30 "Biological Assets", animals or plants that, in the process of biological transformations, are capable of producing agricultural products and/or additional biological assets, as well as otherwise bringing economic benefits defined as biological assets. That is, a biological asset can be any animal or plant that is kept or grown in an enterprise.<sup>48</sup>

The legality of transactions with cash flows is regulated by the current legislation of Ukraine and is determined on the basis of regulatory documents, which can be schematically represented as a hierarchical table of 4 levels (Fig. 1.3).

The first level of regulatory regulation is international regulations, in particular the International Accounting Standard 7 "Cash Flow Statement" as amended on 01.01.2012 – defines the requirements for providing information on past changes in the funds of a business entity and their equivalents using a cash flow statement that distinguishes cash flows during the period from operating, investment and financial activities.<sup>49</sup>

IAS 21 "Impact of changes in exchange rates" and IAS 29 "Financial statements in conditions of hyperinflation", which are

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<sup>45</sup> On approval of methodological recommendations on inventory accounting: order of 10.01.2007 No. 2 URL: <http://www.prou4ot.info/index.php?section=browse&CatID=154&ArtID=414>.

<sup>46</sup> National Regulation (standard) of accounting 30 "Biological assets": approved by the order of the Ministry of Finance of Ukraine dated November 18, 2005 No. 790.

<sup>47</sup> Methodical recommendations on accounting of biological assets: approved by the order of the Ministry of Finance of Ukraine dated 29. 12. 2006, No. 1315.

<sup>48</sup> National Regulation (standard) of accounting 30 "Biological assets": approved by the order of the Ministry of Finance of Ukraine dated November 18, 2005 No. 790.

<sup>49</sup> International Accounting Standard 7 (IAS 7) "Cash Flow Statement" as amended on 01.01.2012. URL: <http://zakon2.rada.gov.ua>.

aimed at regulating transactions with cash and cash equivalents. In accordance with IFRS 29 “Financial statements in conditions of hyperinflation”, monetary items are not revalued, since they are already expressed in monetary units in force at the end of the reporting period.

Level I – International legal acts					
IAS 7 Cash Flow Statement		IAS 21, Impact of Exchange Rate Changes		IAS 29 Financial Statements in Hyperinflationary Conditions	
Level II – National legal acts					
Law of Ukraine “On Accounting and Financial Reporting”	Law of Ukraine “On Banks and Banking”	Law of Ukraine “On the use of registrars of settlement transactions in the field of trade, catering and services”	Tax Code	Law of Ukraine “On the National Bank of Ukraine”	Commercial Code
Level III – By-laws					
NR(S)A 1 “General requirements for financial statements”		NR(S)A 22 “Impact of inflation”		NR(S)A 21 “Impact of changes in exchange rates”	
Level IV – By-laws					
Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations		Regulations on cash transactions in the national currency in Ukraine		Instruction No. 146 “On the procedure for opening and using accounts in national and foreign currency”	
				Methodical recommendations for filling out financial reporting forms	
				Instruction on the inventory of fixed assets, intangible assets, funds and documents and settlements	

Fig. 1.3. The system of regulatory regulation of accounting of funds and their equivalents

Source: <sup>50</sup>

IAS 21, The Impact of Changes in Exchange Rates, defines

<sup>50</sup> Golovko V.I., Beskorovayna O.O. Analiz regulatory regulation of accounting for cash and flows. *Young scientist*. 2018. No. 2 (54) pp. 691–694.

the procedure for obtaining a fixed or specified number of units of a particular currency. In accordance with IAS 21 “Impact of changes in exchange rates”, at the end of each reporting period, monetary items that are expressed in foreign currency are recalculated.

Exchange rate differences arising from the settlement of monetary assets or the recalculation of monetary items at current exchange rates, which differ from those at which they were recalculated at the time of initial recognition during the reporting period or in previous financial statements, are determined from profit or loss for the period in which they arose.<sup>51</sup>

The second level of regulatory regulation is National regulations, which have four sublevels.

The main normative act on accounting is the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, which ensures the uniformity of accounting for property, liabilities, business transactions, drawing up and providing users with the necessary reliable information about the property status of enterprises, their revenue and expenses. It establishes common legal and methodological principles for the organization and maintenance of accounting in Ukraine. The law establishes the methodological basis for the collection, registration and synthesis of information carried out through continuous, continuous documentation of all business transactions.<sup>52</sup>

The Law of Ukraine “On Banks and Banking Activity” regulates the legal support for the stable development and operation of banks in Ukraine and the creation of an appropriate competitive environment in the financial market, ensuring the protection of the legitimate interests of depositors and customers of banks, creating favorable conditions for the development of Ukraine’s economy and supporting domestic

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<sup>51</sup> Golovko V.I., Beskorovayna O.O. Analiz regulatory regulation of accounting for cash and flows. *Young scientist*. 2018. No. 2 (54) pp. 691–694.

<sup>52</sup> Law of Ukraine "On Accounting and Financial Reporting in Ukraine" of 16.07.1999 No. 996-XIV, as amended. URL: <http://zakon4.rada.gov.ua>.

producers.<sup>53</sup>

The Law of Ukraine “On the Use of Registrars of Settlement Transactions in the Field of Trade, Catering and Services” defines the legal basis for the use of registrars of settlement transactions in the field of trade, catering and services. Its effect applies to all business entities their business units and representatives of business entities that carry out settlement transactions in cash and / or non-cash form.<sup>54</sup>

The Law of Ukraine “On the National Bank of Ukraine” is the central bank of Ukraine, a special central body of public administration, the legal status, tasks, functions, powers and principles of organization of which are determined by the Constitution of Ukraine, this Law and other laws of Ukraine.

The Tax Code of Ukraine regulates relations arising in the field of collection of taxes and fees, in particular, defines an exhaustive list of taxes and fees levied in Ukraine and the procedure for their administration, taxpayers and fees, their rights and liabilities, the competence of regulatory authorities, the powers and liabilities of their officials during tax administration, as well as liability for violation of tax legislation.

The Commercial Code defines the basic principles of management in Ukraine and regulates economic relations arising in the process of organizing and carrying out economic activities between business entities, as well as between these entities and other participants in relations in the field of management.<sup>55</sup>

The third level is by-laws, which is represented by NR(S)A 1 “General requirements for financial statements”, which determines the content and form of the cash flow statement and the general requirements for disclosing its articles.

National Regulation (standard) of accounting 22 “Impact of

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<sup>53</sup> Law of Ukraine “On the National Bank of Ukraine” of 20.05.1999 No. 679-XIV with amendments and additions. URL: <http://zakon4.rada.gov.ua>.

<sup>54</sup> The Law of Ukraine “On the Use of Registrars of Settlement Transactions in the Field of Trade, Catering and Services” of 19.07.2017 No. 226/95-VR, as amended by URL: <http://zakon3.rada.gov.ua/laws/show/265/95-vr>.

<sup>55</sup> Golovko V.I., Beskorovayna O.O. Analiz regulatory regulation of accounting for cash and flows. *Young scientist*. 2018. No. 2 (54) pp. 691–694.



inflation” determines the procedure for adjusting the financial statements that are published on the impact of inflation and the general requirements for disclosure of information about it in the notes to the financial statements.

National Regulation (standard) of accounting 21 “Impact of changes in exchange rates” defines the methodological principles of the formation in accounting of information on transactions in foreign currencies and the display of indicators of financial statements of business units outside Ukraine in the monetary unit of Ukraine.

The fourth level is represented by the Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, this instruction establishes the purpose and procedure for maintaining accounting accounts for generalization by the method of double recording of information on the presence and movement of assets, capital, liabilities and facts of financial and economic activities of enterprises, organizations and other legal entities (except for banks, budgetary institutions and enterprises that, in accordance with the law, prepare financial statements according to international financial reporting standards), regardless of the form of ownership, organizational and legal forms and types of activities, as well as branches, branches and other separate divisions of legal entities allocated to a separate balance sheet.<sup>56</sup>

The regulation on cash transactions in the national currency in Ukraine was developed in accordance with the Law of Ukraine “On the National Bank of Ukraine” and determines the procedure for conducting cash transactions in the national currency of Ukraine by legal entities (except banks) and their separate divisions, regardless of the organizational and legal form and form of ownership, state authorities and local governments during their production activities, sale, purchase

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<sup>56</sup> The instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations was approved by the order of the Ministry of Finance of Ukraine dated 30.11.99, No. 291. URL: <http://zakon4.rada.gov.ua>.

of goods or other economic activity, individuals engaged in entrepreneurial activity.<sup>57</sup>

Instruction No. 146 “On the procedure for opening and using accounts in national and foreign currency” regulates legal relations arising from the opening of banks, their separate divisions that carry out banking activities on behalf of the bank, and branches of foreign banks in Ukraine.<sup>58</sup>

An important element of current assets is receivables.

The main foundation for the organization of accounting for receivables is NR(S)A 10 “Receivables” dated 08.10.1999, No. 237. According to it, debtors are legal entities and individuals who, as a result of past events, owe the company certain amounts of cash, their equivalents or other assets.<sup>59</sup>

The recognition of receivables is also regulated by NR(S)A 13 “Financial Instruments”: “unconditional rights of claim and liabilities are recognized as financial assets and financial liabilities if, under the terms of the contract, the company has the right to receive funds or undertakes to pay money”. That is, according to NR(S)A 10, receivables are recognized as an asset subject to obtaining economic benefits in the future, and according to NR(S)A 13 – receiving only funds.<sup>60</sup>

The issue of receivables is covered in 1, 15, 16 standards.

In NR(S)A 1 “General requirements for financial statements” dated 07.02.2013 No. 73, the principles of displaying information on revenue from sales in the statement of financial result, on receivables at the beginning and end of the period in the balance sheet as part of assets are presented.<sup>61</sup>

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<sup>57</sup> Regulations on cash transactions in the national currency in Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine dated 29.12.2017 No. 148 with subsequent amendments and additions. URL: <http://zakon4.rada.gov.ua>.

<sup>58</sup> Instruction on the procedure for opening, using and closing accounts in national and foreign currencies, approved by the Resolution of the NBU Board dated 12.11.2003 No. 492, as amended. URL: <http://zakon4.rada.gov.ua>.

<sup>59</sup> National Regulation (standard) of accounting 10 “Receivables” dated 08.10.1999, No. 237 URL: <http://zakon5.rada.gov.ua>

<sup>60</sup> National Regulation (standard) of accounting 13 “Financial instruments” approved on 30.11.2001 National accounting standard 559. URL: <http://www.nibu.factor.ua/ukr/info/instrbuh/psbu13/>.

<sup>61</sup> National Regulation (standard) of accounting 1 “General Requirements for

NR(S)A 15 “Revenue” dated 29.11.99, No. 290 highlights the conditions for recognizing revenue from the sale of products, goods, works, services; revenue from the provision of services. It is indicated that the revenue from the sale of products is not adjusted for the amount of doubtful and hopeless receivables associated with it. The amount of such debt is recognized as the expenses of the enterprise.<sup>62</sup>

The methodological principles of the formation in the accounting of information on the expenses of the enterprise are indicated in NR(S)A 16 “Expenses” of 31.12.99, No. 318. The submitted standard states that other operating expenses include the amount of bad receivables and deductions to the reserve of doubtful debts, travel expenses.<sup>63</sup>

Also, at the methodological level, domestic enterprises are guided by the Plan of Accounts for Accounting of Assets, Capital, Liabilities and Business Operations of Enterprises and Organizations and the Instruction on its Application dated 30.11.1999 No. 291, which establishes the designation and procedure for maintaining accounting accounts.

In accordance with the Instructions, accounting for settlements with debtors is carried out on the following accounts: 36 “Settlements with buyers and customers”, 37 “Settlements with various debtors”, 38 “Reserve of doubtful debts”, 34 “Short-term bills received”. Each company, taking into account its organizational and technological features of the activity, opens analytical accounts for them and fixes accounts in the working plan.<sup>64</sup>

Quite important in the organization of accounting for settlements with buyers and customers is acquired by the Order

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Financial Reporting” of 07.02.2013 No. 73 URL:<http://pro-u4ot.info/>

<sup>62</sup> National Regulation (standard) of accounting 15 “Revenue”: Order of the Ministry of Finance of Ukraine of November 29, 1999, No. 290. URL: <http://zakon4.rada.gov.ua>

<sup>63</sup> National Regulation (standard) of accounting 16 “Expenses”: Order of the Ministry of Finance of Ukraine of December 31, 1999 No. 318. URL: <http://zakon4.rada.gov.ua>

<sup>64</sup> Gnatenko E.P., Goryachkovska O.S. Regulatory and legal principles of accounting and analytical support of settlements with buyers and customers. *Young scientist*. 2016 No. 10 (37). pp. 351–354.

“On the accounting policy of the enterprise”, because it highlights all the elements regarding their accounting, which are specific to the relevant enterprise, that is, the accounting policy indicates which of the alternative options proposed by NR(S)A was chosen and should be applied in practice. In the order on accounting policy, it is advisable for a business entity to reflect the method of recognizing hopeless receivables.<sup>65</sup>

Unlike Ukrainian standards, international practice does not provide for a single IFRS that would regulate the accounting of receivables. Accounting issues for receivables are regulated by several international standards, including IFRS 1 “Submission of Financial Statements”, IFRS 32 “Financial Instruments: Disclosure and Submission”, IFRS 39 “Financial Instruments: Recognition and Evaluation”. However, none of the above standards defines receivables.<sup>66,67</sup>

IFRS 32, Financial Instruments: Disclosure and Filing, states that receivables are recognized as a financial asset (this is any asset that is a contractual right to receive cash or other financial asset from another enterprise.

IFRS 39 Financial instruments: recognition and evaluation” specifies the procedure for recognition, evaluation, the classification of receivables, the procedure for recognizing bad receivables. And disclosure in the notes to the annual financial statements is provided in IFRS 1 “Submission of Financial Statements”.

## **1.2. Organization of accounting of non-current assets**

In modern conditions of economic development, the key factor in the successful activity of enterprises is precisely their provision of non-current assets and the effective use of the latter in the process of management. Nevertheless, Ukrainian

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<sup>65</sup> Gnatenko E.P., Goryachkovska O.S. Regulatory and legal principles of accounting and analytical support of settlements with buyers and customers. *Young scientist*. 2016 No. 10 (37). pp. 351–354.

<sup>66</sup> International Accounting Standards 2000. Lane. from English. ed. S. F. Chairman. K. UFPAA. 2000. 1268 pp.

<sup>67</sup> The same source.

legislation does not have a clear interpretation of the concept of “Non-current assets”. In particular, the National Regulation (Standard) of Accounting 1 “General Requirements for Financial Reporting” provides the following interpretation: “non-current assets – all assets that are not current”.<sup>68</sup>

In foreign accounting practice, the concept of “non-current assets” is also denoted using various words and phrases: property, tangible assets, permanent assets; facilities and equipment, etc. National accounting standards have been improved and worked out taking into account international financial reporting standards, which is why NR(S)A on the account of non-current assets has a number of common points and stages with IFRS.<sup>69</sup>

In foreign accounting practice, the concept of non-current assets is often identified with fixed capital, which is considered a component of the property of an enterprise (or its asset). The use of different terms for the identification of this type of assets is often associated with the peculiarities of translating terms from different languages. This is drawn to the attention of V. S. Semyon, who argues that in English non-current assets can be called non-current assets, fixed assets, long-term assets, etc.<sup>70</sup>

In Ukraine, non-current assets, if we evaluate their composition by the content of the items in the balance sheet (Section 1), include: intangible assets; unfinished capital investments; fixed assets; investment real estate; long-term biological assets; long-term financial investments (a) which are accounted for by the method of participation in the capital of other enterprises; b) other financial investments); long-term

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<sup>68</sup> General requirements for financial reporting: National Regulation (standard) of accounting 1, approved by the order of the Ministry of Finance of Ukraine No. 73 of February 7, 2013. URL: <http://zakon4.rada.gov.ua/laws/show/z0336-13/page5>.

<sup>69</sup> Luchko M.R. Accounting of foreign economic activity: textbook. manual. Ternopil: VPC “Economic Thought TNEU”. 2015. 356 pp.

<sup>70</sup> Semyon V. S. The concept of non-current assets, their classification and composition. Bulletin of Zhytomyr State Technological University: Economic Sciences. 2009. No. 3. pp. 161–167.

receivables; deferred tax assets; other non-current assets.<sup>71</sup>

In accordance with Art. 139 of the Commercial Code of Ukraine, the property values of an enterprise, that is, property, personifies a set of things and other values (including intangible assets) that have a value definition, are produced or used in the activities of business entities and are reflected in the balance sheet or are taken into account in other forms of accounting for the property of these entities provided by law and depending on the economic form in which the property acquires, it may belong to fixed assets, working capital, funds, goods.<sup>72</sup>

The main criteria for classifying assets as non-current should be: belonging to the enterprise, long-term use (more than one year or one operating cycle), use in the activities of the enterprise.<sup>73</sup>

Non-current assets are involved in the economic process many times and transfer their value to products (services) in parts, they are often also called long-term assets or permanent assets. In practice, non-current assets include property values with a period of use of more than one year. When considering these species, they proceed, first of all, from the signs of their classification. The system of "non-current assets" is quite complex and needs, undoubtedly, a detailed classification according to various criteria.<sup>74</sup>

Undoubtedly, the composition of non-current assets is quite diverse, including depending on the belonging of the enterprise to a particular sector of the economy, type of production / activity and other reasons. Therefore, from the point of view of accounting, they require the correct choice of directions for detailing information in the context of their composition, order and place of use, etc. This is what serves as an important factor in the formation and use of their correct and expedient

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<sup>71</sup> Klymchuk Y. Classification, recognition and valuation of non-current assets. *Vectors of science and business development in the global environment: trends and prospects*. 2019. URL: <http://dspace.wunu.edu.ua/bitstream.pdf>.

<sup>72</sup> Commercial Code of Ukraine dated 16.01.2003. No. 436-IV.

<sup>73</sup> Klymchuk Y. Classification, recognition and valuation of non-current assets. *Vectors of science and business development in the global environment: trends and prospects*. 2019. URL: <http://dspace.wunu.edu.ua/bitstream.pdf>.

<sup>74</sup> The same source.

classification.<sup>75</sup>

In the accounting system of Ukraine, the most common features of the classification of non-current tangible assets are: by industry; by functional purpose; by use; on the basis of belonging; by type, etc. Summarizing the above, we can build an appropriate classification scheme for non-current assets according to a number of criteria.<sup>76</sup>

We will carry out a classification according to accounting accounts (Fig. 1.4).

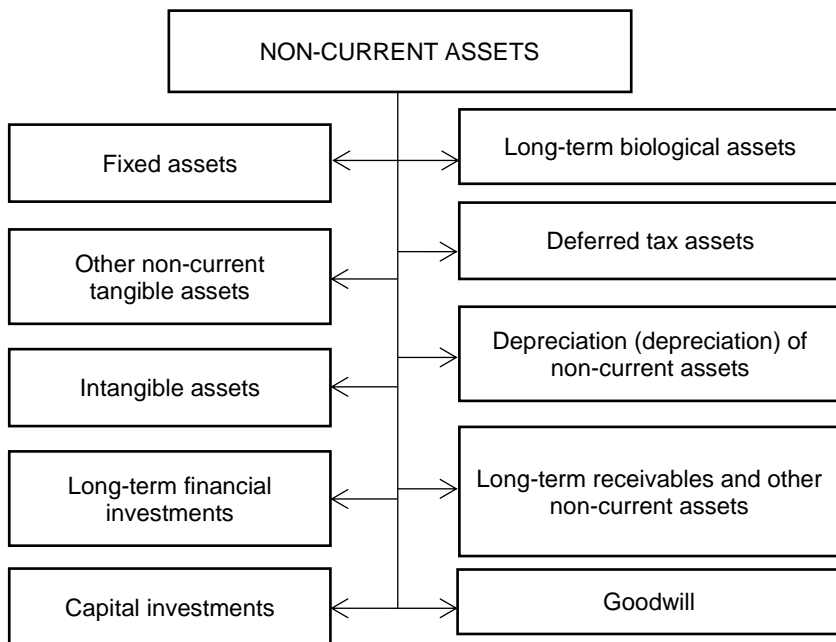


Fig. 1.4. Division of non-current assets

Source: formed by the author based on the source<sup>77</sup>

<sup>75</sup> Klymchuk Y. Classification, recognition and valuation of non-current assets. *Vectors of science and business development in the global environment: trends and prospects*. 2019. URL: <http://dspace.wunu.edu.ua/bitstream.pdf>.

<sup>76</sup> Brukhansky R. F. Accounting : textbook. Ternopil: TNEU. 2016. 480 pp.

<sup>77</sup> The same source.

In addition to the classification of non-current assets by accounting accounts, there are also classifications according to other, equally important criteria. Thus, non-current assets by the nature of ownership are divided into their own non-current assets, which include long-term assets owned by the enterprise on the rights of ownership or ownership and reflected in the balance sheet, as well as non-current leased assets used in accordance with the lease (leasing) agreement.<sup>78</sup>

By the nature of servicing certain types of activities of the enterprise, non-current assets serving operational (current) activities (operational or production non-current assets), non-current assets serving the investment (long-term) activities of the real sector (investment non-current assets) are distinguished.

There are also non-current assets that serve financial activities (financial non-current assets), long-term financial investments, as well as non-current assets that meet the social needs of personnel (non-productive non-current assets). The latter characterize a group of social and household facilities formed to serve the employees of the relevant enterprise and owned by it.<sup>79</sup>

Close in value to the above is the classification of non-current assets into active and passive, that is, to their role in the production process. The active part of non-current assets includes machines, mechanisms and equipment, transfer devices directly involved in the production process. The passive part of non-current assets includes buildings and structures, intangible assets, as well as machines, mechanisms and equipment used in the process of managing operational activities.<sup>80</sup>

The main tasks of the organization of accounting for non-current tangible assets are:

1. Correct documentation and timely reflection in the

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<sup>78</sup> Klymchuk Y. Classification, recognition and valuation of non-current assets. *Vectors of science and business development in the global environment: trends and prospects*. 2019. URL: <http://dspace.wunu.edu.ua/bitstream.pdf>.

<sup>79</sup> The same source.

<sup>80</sup> The same source.



accounting registers of receipt of non-current tangible assets, their internal movement and disposal;

2. Reliable determination of the results from the sale and other disposal of non-current tangible assets;

3. Accurate determination of the expenses associated with maintaining in working condition (the cost of technical inspection and care, for carrying out all types of repairs), the correct calculation and reflection in the accounting of the amount of depreciation;

4. Control over the safety and efficiency of their use.<sup>81</sup>

Fixed assets as non-current assets that have been used by the enterprise for a long time are the material main production potential, the main indicator of the value of the business. In the course of their existence, they increase or decrease their value as a result of inflationary processes, wear out physically and morally, need repair, reconstruction, modernization, lose or restore their usefulness. In addition, they are an independent object of receiving revenue from their sale or liquidation, participation in the capital of other enterprises, leasing.<sup>82</sup>

One of the important issues of organization and methodology of accounting and financial reporting at enterprises is the formation of accounting policies. Accounting policy at the enterprise provides a unified methodological approach, full and timely reflection in accounting of the facts of economic activity, reliability of financial statements, provides users with clear accounting information about the state of financial and economic activity of the enterprise. Properly formed accounting policy has a positive effect on the decision-making process, the success of the enterprise, ensures the effective work of the staff and orients the company to achieve goals.<sup>83</sup>

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<sup>81</sup> Klymchuk Y. Classification, recognition and valuation of non-current assets. *Vectors of science and business development in the global environment: trends and prospects*. 2019. URL: <http://dspace.wunu.edu.ua/bitstream.pdf>.

<sup>82</sup> Levchenko Z.M. Formation of accounting policy of agricultural enterprises regarding fixed assets. URL: <https://www.pdaa.edu.ua/sites/default/files/nppdaa/11/25.pdf>.

<sup>83</sup> Mychak N.O. Formation of accounting policies for non-current assets held for sale. *Scientific and production journal "Business Navigator"*. 2018. Issue. 2-2 (45). pp.132–136.

The formation of accounting policies should be carried out by the enterprise independently. At the same time, it is recommended to take into account the requirements of national accounting regulations (standards), its own accounting practices and the needs of the enterprise in the effective management of its own assets.<sup>84</sup>

The main methodological techniques that should be recorded in the administrative document are specified in the Methodological Recommendations for the accounting policy of the enterprise. Among them, the accounting policy for fixed assets includes:

1. Depreciation methods of fixed assets;
2. Value characteristics of items that are part of low-value non-current assets;
3. Approaches to the revaluation of non-current assets;
4. Approaches to the frequency of crediting the amounts of revaluation of non-current assets to retained earnings;
5. Quantitative criteria and qualitative signs of materiality of information on business transactions, events and articles of financial statements;
6. The date of initial recognition of non-current assets and disposal groups as held for sale;
7. Approaches to attributing the expenses associated with the improvement of the object of fixed assets to the initial cost or expenses of the reporting period.<sup>85</sup>

When forming the accounting policy of the enterprise regarding fixed assets (as a component of non-current assets), it is necessary to take into account the requirements of the Tax Code of Ukraine.

Information on the peculiarities of the organization of accounting policies, in terms of fixed assets, methodological principles regarding its elements is reflected in NR(S)A 7 “Fixed

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<sup>84</sup> Levchenko Z.M. Formation of accounting policy of agricultural enterprises regarding fixed assets. URL: <https://www.pdaa.edu.ua/sites/default/files/nppdaa/11/25.pdf>.

<sup>85</sup> Methodical recommendations on the accounting policy of the enterprise. Order of the Ministry of Finance of Ukraine No. 635 of June 27. 2013. URL: <http://www.rada.gov.ua>.

Assets” and TCU, which are given in Table 1.8.<sup>86, 87</sup>

*Table 1.8*

**Elements of the accounting policy of fixed assets**

No.	Components of accounting policies by type of procedures	Variants of principles and methods
For accounting purposes		
1	Recognition of acquired (received, created) fixed assets	Testing, identification and compliance: the definition of “fixed assets” (paragraph 4 of NR(S)A 7 “Fixed Assets”); signs of an asset (paragraph 6 of NR(S)A 7 “Fixed Assets”)
2	Cost delimitation of fixed assets of little valuable non-current tangible assets	The company independently establishes the value characteristics of values that will be included in the composition of low-value non-current tangible assets. But at the same time, taking into account the norms of the Tax Code in terms of cost delimitation, as well as its own experience, the interests of optimizing accounting, the average level of the cost of labor
3	Initial assessment	– The initial assessment is formed in accordance with the norms of NR(S)A 7 “Fixed Assets” and depends on the way of receipt (receipt) of fixed assets: acquisition for cash; capital construction; production on its own; receiving as a contribution to the authorized capital; free receipt; receiving in exchange for similar (dissimilar) assets.
4	Unit of accounting for fixed assets	A specific object with its name; homogeneous group of objects
5	Classification of fixed assets for accounting needs	For the needs of synthetic accounting, fixed assets are classified in accordance with the subaccounts of account 10 "Fixed Assets" of the Instructions for use of the Chart of Accounts <sup>88</sup> . For the needs of analytical accounting, it is

<sup>86</sup> National Regulation (Standard) of Accounting 7 “ixed Assets” of April 27, 2000, No. 92. URL: <http://zakon2.rada.gov.ua/laws/show/z0288-00>.

<sup>87</sup> Tax Code of Ukraine. Verkhovna Rada of Ukraine dated 01.10.2013. URL: <http://zakon3.rada.gov.ua/laws/show/2755-17/page>.

<sup>88</sup> Boyko L.G. Accounting policy of the enterprise: lecture notes (for students of the second higher education specialty 7.03050901 “Accounting and Auditing”). Hark. national Acad.: KhNAMG, 2013. 141 p.

		advisable to develop a classification (list of groups, subgroups) of fixed assets, as well as their inventory register (list). If necessary, develop a working Chart of Accounts in terms of accounting for fixed assets with a clear allocation of subaccounts of the second (third) order.
6	Change in the initial value of the object of fixed assets	Improvement of fixed assets; determination of the composition and characteristics of the expenses of improving objects that increase future benefits, and, as a result, the initial cost; Revaluation of fixed assets
7	Definition of useful life of objects	Useful life is set by the enterprise independently, based on the technical, economic capabilities of the object.
8	Establishment of the liquidation value of objects	The liquidation value of fixed assets is set by the enterprise independently, based on the established economic policy.
9	Choosing a depreciation method	Methods for calculating the depreciation of fixed assets (paragraph 26 of NR(S)A 7 "Fixed Assets"): rectilinear; Production; Cumulative; reduction of residual value; accelerated reduction of residual value. The depreciation method is chosen by the enterprise independently, based on the criteria of economic strategy and accounting policy objectives.
10	Revision of depreciation method and service life	In accordance with the norms of NR(S)A 7 "Fixed Assets" are revised in case of a change in the method of obtaining economic benefits from the use of fixed assets.
11	Recognition of the expenses associated with maintaining the object in working condition	Determine the composition and structure of expenses that arise in connection with the maintenance of the object in working condition. Establish expense accounting accounts on which information on the expenses of technical inspection (maintenance), current (capital) repairs will be displayed
For the needs of tax accounting		
12	Cost criterion for classifying an object as fixed assets	Fixed assets are recognized tangible assets, the value of which exceeds 20000 UAH. and the useful life of which exceeds a year.

13	Initial assessment	The initial cost depends on the method of receipt of fixed assets: acquisition for cash; capital construction; production on its own; receiving as a contribution to the authorized capital; free receipt; receiving in exchange for similar (dissimilar) assets
14	Classification of fixed assets for accounting needs	Fixed assets are formed in 16 groups, for each of which an appropriate depreciation rate is provided.
15	Choosing a depreciation method	Depreciation methods are used the same as in NR(S)A 7, but with the exception of production.
16	Definition of useful life of objects	Useful life is set by the enterprise independently, taking into account the norms of the Tax Code in terms of the minimum allowable service life of fixed assets. The useful life of the facility may be suspended for the period of its decommissioning (for reconstruction, modernization, completion, retrofitting, conservation and other reasons).
17	Establishment of the liquidation value of objects	The liquidation value is taken in the amount that the company expects to receive from the sale (liquidation) of fixed assets after the expiration of their useful life (operation), minus the expenses associated with the sale (liquidation).

Source: summarized based on <sup>89,90,91</sup>

The initial cost, which is an element of the accounting policy of fixed assets, consists of the following expenses: expenses associated with the acquisition of fixed assets; the amount of taxes and fees paid to the budget; other expenses associated with bringing fixed assets to a state suitable for use.<sup>92</sup>

<sup>89</sup> National Regulation (Standard) of Accounting 7 “Fixed Assets” of April 27, 2000, No. 92. URL: <http://zakon2.rada.gov.ua/laws/show/z0288-00>.

<sup>90</sup> Kulik V.A. Accounting policy of the enterprise: experience gained and development prospects. Poltava: RVV PUET, 2014. p. 373.

<sup>91</sup> Tax Code of Ukraine. Verkhovna Rada of Ukraine dated 01.10.2013. URL: <http://zakon3.rada.gov.ua/laws/show/2755-17/page>.

<sup>92</sup> Tkachenko Yu.V., Selivanova N.M. Formation of the accounting policy of the enterprise in terms of fixed assets. Materials of the XI All-Ukrainian scientific-practical conference “Accounting and analytical support of innovative transformation of the Ukrainian economy”. Odessa. May 22-26,

In accordance with the norms of NR(S)A 7 “Fixed Assets” follows the following:

1. If the object of fixed assets purchased for cash, then its initial value includes the contractual price, the cost of installation, transportation, as well as value added tax and the amount of other taxes and fees;

2. If fixed assets are received free of charge, then the cost includes fair value and expenses associated with transportation, installation, as well as payments to the budget;

3. Fixed assets manufactured on their own, include in the cost of the amount of remuneration, as well as the cost of used supplies;

4. The initial value of fixed assets received in exchange for such objects is equal to the residual value of the transferred object, or its fair value, due to the excess of the first over the latter;

5. The initial value of fixed assets received in exchange for non-similar objects is equal to the fair value adjusted for the amount of cash (or cash equivalents) received (transferred) during the exchange.<sup>93</sup>

During the formation of accounting policies for fixed assets, it is also important to determine the unit of accounting for fixed assets.<sup>94</sup>

According to NR(S)A 7 “Fixed Assets”, the unit of accounting for fixed assets is the object of fixed assets. An object of fixed assets is a complete device with all the devices and accessories to it or a separate structurally separated object designed to perform certain independent functions.

In the case when one object of fixed assets consists of parts that have a different service life, then each of the parts can be

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2017, pp. 70–76.

<sup>93</sup> National Regulation (Standard) of Accounting 7 "Fixed Assets" of April 27, 2000, No. 92. URL: <http://zakon2.rada.gov.ua/laws/show/z0288-00>.

<sup>94</sup> Tkachenko Yu.V., Selivanova N.M. Formation of the accounting policy of the enterprise in terms of fixed assets. Materials of the XI All-Ukrainian scientific-practical conference "Accounting and analytical support of innovative transformation of the Ukrainian economy". Odessa. May 22-26, 2017, pp. 70–76.

recognized in accounting as a separate object of fixed assets.<sup>95</sup>

Another element of the accounting policy of fixed assets is the definition of the useful life of objects. The useful life is defined as the period of time during which the company plans to use the corresponding object or quantity of products (services) that the company expects to receive from the use of fixed assets. At the same time, the useful life of fixed assets can be revised.<sup>96</sup>

In accordance with NR(S)A 7 “Fixed Assets”, the company can determine the useful life of fixed assets independently, while taking into account:<sup>97</sup>

1. Expected use of the object by the enterprise in connection with its capacity or productivity;

2. Physical and moral wear and tear, which is assumed;

An equally important element in the formation of accounting policies for fixed assets is the establishment of the liquidation value of objects. Since at the end of their useful life either parts suitable for accounting and further use in production remain, or scrap, the sale of which can obtain economic benefits, or losses, if there is a high cost of disposal work.

The methods for determining the basis for the formation of liquidation value include:

3. Attracting specialists who would determine the liquidation value. The essence of the submitted method is that it involves the emergence of expenses associated with the remuneration of specialists, and if the company itself prepares them, then the cost of training. The disadvantage of this method is that not all experts can provide an objective assessment;

4. The establishment of the liquidation value at the level of the value of such an asset, the useful life of which has already

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<sup>95</sup> National Regulation (Standard) of Accounting 7 "Fixed Assets" of April 27, 2000, No. 92. URL: <http://zakon2.rada.gov.ua/laws/show/z0288-00>.

<sup>96</sup> Tkachenko Yu.V., Selivanova N.M. Formation of the accounting policy of the enterprise in terms of fixed assets. Materials of the XI All-Ukrainian scientific-practical conference “Accounting and analytical support of innovative transformation of the Ukrainian economy”. Odessa. May 22-26, 2017, pp. 70–76.

<sup>97</sup> National Regulation (Standard) of Accounting 7 “Fixed Assets” of April 27, 2000, No. 92. URL: <http://zakon2.rada.gov.ua/laws/show/z0288-00>.

expired, as well as what has already been used in such conditions, those in which this asset will be operated;

5. Setting a percentage of the original value, which will determine the liquidation value (in practice, this percentage is up to 5% of the initial value of the object);

6. To establish the liquidation value at the level of the value of assets that can be realized at the end of the useful life of the object of fixed assets, after its liquidation. The disadvantage of this method is the inability to accurately predict the value of these assets.<sup>98</sup>

Another important element of accounting policy is the revaluation of fixed assets. According to NR(S)A 7 “Fixed Assets”, revaluation is carried out when the residual value of the object of fixed assets differs significantly from its fair value at the balance sheet date.

Current standards do not attribute revaluation to mandatory measures, which is why the company independently makes decisions.

At the same time, when revaluing a certain object of fixed assets, it is necessary to reassess all objects of the group of fixed assets to which this object belongs.<sup>99</sup>

The methodological recommendations on accounting of fixed assets and the letter of Ministry of Finance of Ukraine “On materiality in accounting” propose the following options for determining the threshold of materiality of revaluation of fixed assets:<sup>100</sup>

1. 1% of net profit (loss) of the enterprise;
2. Or 10% deviation of the residual value of the object of

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<sup>98</sup> Kulik V.A. Accounting policy of the enterprise: experience gained and development prospects. Poltava : RVV PUET, 2014. p. 373.

<sup>99</sup> Tkachenko Yu.V., Selivanova N.M. Formation of the accounting policy of the enterprise in terms of fixed assets. Materials of the XI All-Ukrainian scientific-practical conference "Accounting and analytical support of innovative transformation of the Ukrainian economy". Odessa. May 22-26, 2017, pp. 70–76.

<sup>100</sup> Methodical recommendations for ensuring the accounting of fixed assets and other non-current assets, approved by the order of the Ministry of Industrial Policy of Ukraine dated 11.09.2003 No. 381. URL: <http://www.ligazakon.ua>.



fixed assets from its fair value.

As for intangible assets, the following elements of accounting policy are distinguished (Table 1.9).

*Table 1.9*

**Elements of accounting policies for intangible assets**

Criteria to be implemented accounting policy	Alternatives
Delimitation of intangible assets for each classification group	The distinction of intangible assets for each classification group, necessary for the needs of analytical accounting, is given
Nomenclature of responsibility centers	A list of centers of responsibility formed at the enterprise is given
Depreciation method	The selected depreciation method is indicated
Periodicity of management reporting	Indicates the forms of internal reporting required for management, the frequency of its submission

Among the main elements of the concept of accounting policy of intangible assets of enterprises use the following provisions:<sup>101</sup>

1. The main content of the enterprise in a competitive environment is to ensure continuous development. Therefore, the accounting system should include registers of information on intangible assets, which reflect the state of development processes and allow you to effectively manage the development processes of the trade enterprise, including the development of intangible assets of enterprises.

Development is a process of intensive changes, qualitatively transformed technologies, products, a way of organizing production, an enterprise management system.

In the conditions of computerization, the main share of intangible assets falls on the software and databases of the information system of the enterprise.

Features of the development of information systems of the enterprise are that while a new information system of electronic accounting is being created, which meets the new requirements and working conditions of the enterprise, the existing system

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<sup>101</sup> Sayun A.O. Formation of accounting policy of intangible assets. *Financial space*. 2011. No. 4 (4). pp. 99–101.

must continue to function.

Control over the progress of changes and analysis of the implementation of plans for the transition to a new information system is carried out using special transition project management programs, which should be informationally related to management accounting procedures and programs. intangible assets of the enterprise.

2. Data on the accounting of intangible assets should be moved between the systems of financial and management accounting. Management accounting should provide detailed results.

The exchange of information should be carried out either through a special system of accounts in the case of a separate construction of financial and management accounting systems, or circulate within a single integrated system of the enterprise.

As a target orientation in this direction, the company should strive to create internal reports for managers (Internal Management Report). Such reports in developed Western countries are the basis for building an accounting system.

3. Accounting contains the most complete information about the activities of the enterprise. At the same time, today in the databases of accounting systems there are no indicators that can be used in strategic planning processes.

To this end, it is necessary to have not only value, but also natural indicators that characterize the effectiveness of the use of intangible assets.

These can be indicators that were previously used in marketing systems, such as the number of users of this electronic store, the number of visitors to the Web-site, etc.

Today, there is no scorecard that would display data in such analytical areas as groups of goods and consumers, the effectiveness of banner advertising, sales volumes for various outlets in the network, the number and volume of payments for purchases in a variety of ways. Calculations.

4. Accounting and analysis of intangible assets should be based on the use of computerization tools, which are organized as automated workplaces of accountants. The most promising direction is the use of Windows-technologies in the organization of computer accounting.

The advantages of Windows-technologies are provided by a combination of their features. This is, first of all, a multi-window principle of operation – each document opens in a separate screen window. This allows the accountant to simultaneously work with several documents, manipulating them in their natural form, just as he does performs with traditional documents.

Windows multi-window mode allows you to see how changes in the performance of one document affect the information of other documents associated with it.

The graphical interface involves communication with the program not only through traditional computer menus, but also their graphic images – icons or on-screen buttons. This is very convenient for people far from computer technology. With the help of navigation, the reconciliation of these documents turns into a rather convenient and natural process.

5. In accounting for such intangible assets as "qualified and entrepreneurial potential", as well as assets that are information resources (programs, databases), one should use accounting for the synergistic effect associated with the interaction of assets of these two types in business processes of the enterprise.<sup>102</sup>

The essence of this effect is that information resources enhance the possibilities of qualification and entrepreneurial potential of the personnel of the enterprise. On the other hand, entrepreneurial potential finds new solutions for the use (and using) of software and databases of information systems of the enterprise.

6. To account for and analyze intangible assets, you should use a system of such indicators that allow you to make effective management decisions related to the use of funds for the acquisition and maintenance of assets.

The active means of this is the use of economic and mathematical models. In this direction, two classes of economic and mathematical models can be used:

1) economic and statistical models that characterize the correlations between the indicators studied and optimization models for choosing the best composition of software and

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<sup>102</sup> National Regulation (Standard) of Accounting 8 "Intangible Assets" No. 246 of 20.10.99.

hardware of the electronic store (trading platform);

2) the system of accounting and information system of the enterprise as a whole<sup>103</sup>.

7. Intangible assets are subject to depreciation during the estimated period of economic utility or fixed service life.

For the depreciation of intangible assets in accordance with NR(S)A 8 “Intangible Assets”, the method chosen by the enterprise independently is used, based on the conditions for obtaining future economic benefits.<sup>104</sup>

If such conditions cannot be determined, then depreciation is charged using the straight-line method, that is, each individual type of intangible asset is depreciated in equal shares, based on the initial value, taking into account indexation during the period determined by the taxpayer independently, based on the term of the taxpayer’s activity, but not more than 10 years of continuous operation.

But to calculate the depreciation of intangible assets, the company independently establishes the initial value and depreciation rates of intangible assets, based on the conditions of the future economic benefits received by the enterprise from the use of an intangible asset.

The useful life of intangible assets is determined taking into account the criteria shown in Fig. 1.5.

Methods of depreciation of intangible assets are selected taking into account their types (Table 1.10).<sup>105, 106, 107</sup>

To assess intangible assets use the methods shown in Table 1.11.

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<sup>103</sup> Grinko A.P., Bobkova O.O. Accounting policy at trade enterprises. *Economic strategy and prospects for the development of trade and services. Collection of scientific works.* Kharkiv State University of Nutrition and Trade. Kharkiv, 2010. pp. 251–259.

<sup>104</sup> National Regulation (Standard) of Accounting 8 “Intangible Assets” No. 246 of 20.10.99.

<sup>105</sup> The same source.

<sup>106</sup> Tax Code of Ukraine as of December 2, 2010 URL: <http://portal.rada.gov.ua>.

<sup>107</sup> Yasishena V.V. Methodological aspects of depreciation of intangible assets. *Efficient economy.* 2014. No. 9. URL: <http://economy.nayka.com.ua>.

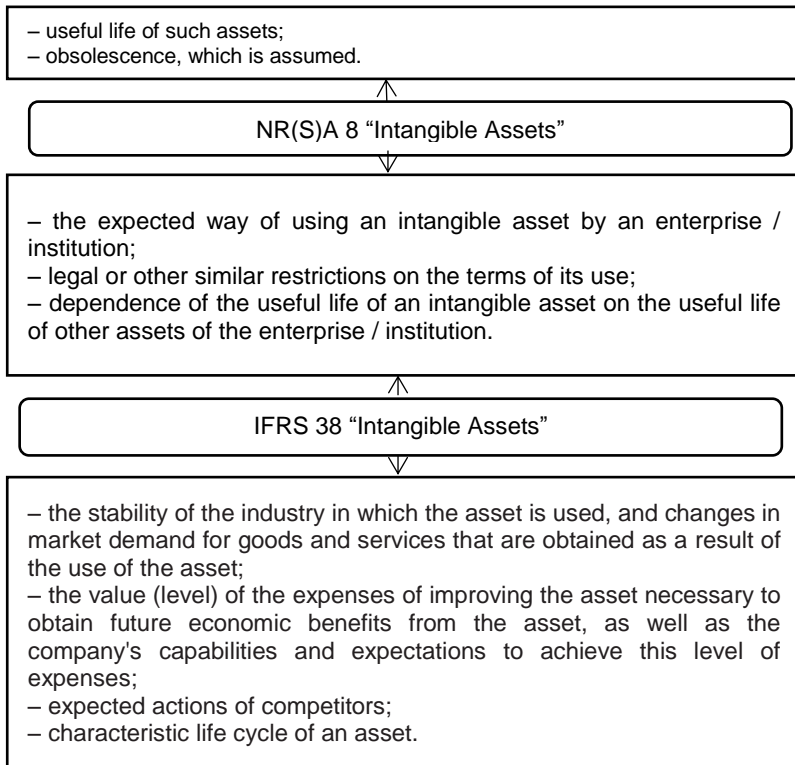


Fig. 1.5. Criteria for determining the useful life of IA  
Source: <sup>108</sup>

Elements of the accounting policy for non-current assets held for sale are the relevant criteria and characteristics of such assets, which ensure full accounting of non-current assets held for sale, their management and control.

Elements of the accounting policy for non-current assets held for sale include:

1. Accrual of depreciation of non-current assets;
2. Classification of non-current assets;

<sup>108</sup> Fedorova I.V. Depreciation of intangible assets in the context of accounting policy: topical issues. *Scientific Bulletin of Uzhhorod National University*. 2018. Issue. 20. Ch. 3. pp. 101–105.

Table 1.10

**Methods for calculating the depreciation of intangible assets in the context of classification groups**

Groups of intangible assets	Depreciation methods	Advantages	Disadvantages
Rights to use natural resources	Rectilinear	Relatively lower complexity of calculation and application. Uniform parts of depreciation deductions, which throughout the entire period of application will maintain the same level of profit, as well as payments to the budget.	Failure to take into account the obsolescence of intangible assets.
Rights to use property (except for the right to permanent use of the land plot)			
Commercial designation rights			
Right to invention	Production	The direct relationship between depreciation and the intensity of the production process. The correctness of the formation of the cost of products and services.	The difficulty of establishing the volume of products that were manufactured using this particular intangible asset.
Right to utility models			
The right to industrial designs			
Right to plant varieties			
The right to animal breeds			
License agreements that clearly stipulate the volume of production under this license			
Computer programs	Method of reduction (accelerated reduction) of residual value	Prevention of the risk of incorrect determination of the rate of moral wear and tear of IA, unsuccessful determination of the useful life. In the first	May contribute to an increase in the price of manufactured products, which may affect the decline in
Computer programs			

Compilation of data (databases)	years of application, there will be a decrease in profits and a lower level of tax payments to the budget.	demand and a decrease in profits from its sale.
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3. Revaluation of non-current assets;
4. Crediting the amounts of revaluation of non-current assets to retained earnings;
5. A list of created security for future expenses and payments;
6. Approaches to attributing the expenses associated with the improvement of the object of fixed assets to the initial cost or expenses of the reporting period;
7. Frequency and objects of inventory;
8. Conditions for recognition of non-current assets held for sale;
9. The date of initial recognition of non-current assets held for sale;
10. Recognition of a non-current asset held for sale between the balance sheet date and the date of approval of the statements by management;
11. Methods of receipt of assets that are recognized as non-current assets held for sale;
12. Valuation of non-current assets held for sale;
13. Disclosure of information on non-current assets held for sale in the financial statements;
14. Recognition and assessment of revenue from the sale of fixed assets.<sup>109</sup>

When a non-current asset is recognized as held for sale, the amount of depreciation accrued during the period of use of the object is subject to write-off, therefore, in this situation, such an element will not be considered an item of accounting policy for non-current assets held for sale. Depreciation as an element of

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<sup>109</sup> Mychak N. O. Formation of accounting policies for non-current assets held for sale. *Scientific and production journal "Business Navigator"*. 2018. Issue. 2-2 (45). pp. 132–136.

Table 1.11

### Methods for valuing intangible assets

Sources of revenue	Assessment methodology
Purchased (created)	Initial value (purchase price (without discounts) of duty, indirect taxes that are not reimbursed) and others directly related to the acquisition and bringing to a state suitable for use for its intended purpose (without paying interest on the loan when acquiring intangible assets in whole or in part at the expense of the loan)
Received in exchange for a similar object	The residual value of the transferred intangible asset, if it exceeds its fair value, then at this value with the inclusion of the difference in the financial results (expenses) of the period
Received in full or partial exchange for a non-similar object	Fair value of the transferred asset, increased (reduced) by the amount of cash or cash equivalents transferred (received) during the exchange
Received free of charge	Fair value as of the date of receipt
Included in the authorized capital	Fair, agreed between the founders (participants)
Received at the merger of enterprises	Fair value
Created by the enterprise	Direct expenses of creating an asset and bringing it to a state suitable for use for its intended purpose (payment for registration of a legal entity, depreciation of patents, licenses, etc.)
Improved by the enterprise	Increases by the amount of expenses associated with the improvement of these assets, increasing their capabilities and life of use, which will make it possible to increase the expected economic benefits

Source: <sup>110</sup>

accounting policy will take place during the return of a non-current asset held for sale to the previous composition as a result of the refusal of the purchase and sale transaction. In this case, it is necessary to adjust the book value of the non-current asset, determined at the time of its recognition as held for sale, by the amount of depreciation for the period of its holding for

<sup>110</sup> Lepetan I.M. The concept and components of the accounting policy of the enterprise regarding intangible assets. Collection of Scientific Papers / ed. Doctor of Economics, Prof., acad. Academy of Sciences of higher education of Ukraine M.I. Bakhmat. Kamianets-Podilskyi, 2009. Issue 17. Vol. 2. pp. 210–213.



sale, as indicated by NR(S)A27.<sup>111</sup>

On the date of recognition of non-current assets held by them for sale, a revaluation of the value of non-current assets is carried out. Taking into account the value of revaluation for the completeness and reliability of the reflection of information on the value of assets in accounting and reporting and the period of relevance, which is determined by the frequency of the inventory, changes in prices in the market for such objects, or in the case of making improvements to non-current assets to be deemed held for sale, revaluation of non-current assets held for sale may apply on the balance sheet date and the date they are returned to their previous composition in the result of the refusal from the purchase and sale transaction. In this case, it is necessary to adjust the book value of the assets, determined at the time of their recognition as held for sale, by the amount of possible revaluation for the period of their holding for sale, as required by p. 12 NR(S)A 27.<sup>112</sup>

The classification of non-current assets held for sale is carried out for accounting purposes, using the classification of non-current assets of the enterprise.

An inventory of non-current assets held for sale should be carried out on each balance sheet date, taking into account their possible absence or availability on that date in connection with the sale or refusal to sell in the current or next reporting year, on which the reflection of the value of such assets on the balance sheet depends. That is, in the case of a sale in the next reporting year within the annual period of holding assets for sale, the value of non-current assets held for sale at the current balance sheet date will be reflected in the statements. The need for an inventory of such assets at the balance sheet date follows from the fact that its holding is mandatory before the preparation of annual financial statements.<sup>113</sup>

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<sup>111</sup> National Regulation (standard) of accounting 27 "Non-current assets held for sale and terminated activities": Order of the Ministry of Finance of Ukraine dated 03.10.2007 No. 1100. URL: <http://zakon3.rada.gov.ua/laws/show/z1054-03>.

<sup>112</sup> The same source.

<sup>113</sup> Regulations on the inventory of assets and liabilities: Order of the Ministry

An important condition for the functioning of a business entity is the availability of fixed assets, because they form the production and technical base and determine the production capacity of the enterprise. For a long time, fixed assets arrive at the enterprise and are transferred to operation; wear out as a result of operation; amenable to repair through which their physical qualities are restored; move within the enterprise; leave the enterprise due to the inexpediency of further use.<sup>114</sup>

The initial stage in the implementation of accounting records is the registration of facts of economic life, namely the preparation of primary documents. They are the main component not only in the accounting system, but also in the process of economic analysis of the enterprise, when making management decisions, conducting tax and legal audits. Information for all these purposes is formed, first of all, Based on the data contained in the primary accounting documents, and as a result of the processes of collection, grouping and processing, it satisfies the needs of a certain circle of users. The process of documenting accounting information, including the availability, movement and use of fixed assets, must comply with the basic principles (Fig. 1.6), that is, the rules that determine its content, organizational forms and methods.<sup>115</sup>

Expediency – compliance of the documentation system with procedures for meeting a certain type of information needs in management and the absence of redundant information;

Reliability – requires an objective reflection of the facts of the economic life of the enterprise, that is, the correspondence of the information that is recorded in the document and the real phenomenon; clear terminology of the initial information, the absence of errors and distortions;

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of Finance of Ukraine dated 02.09.2014 No. 879. URL: <http://zakon3.rada.gov.ua/laws/show/z1365-14>

<sup>114</sup> Petrenko A.Ya., Popova V.D. Organization of accounting for fixed assets and ways to improve it. Economy and society. 2018. Issue. 18. pp. 994–1001.

<sup>115</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

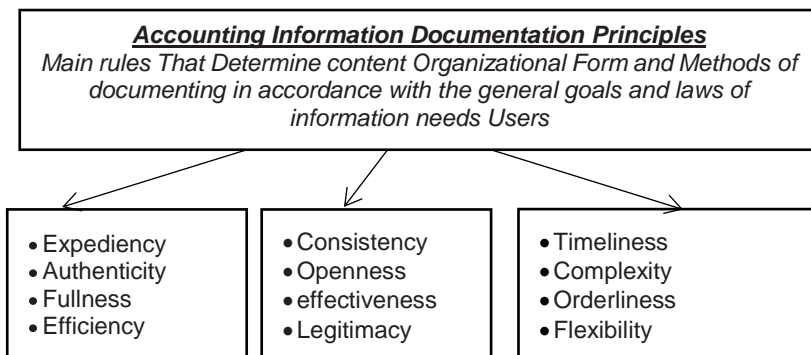


Fig. 1.6. Principles for documenting accounting information to meet the information needs of users

Source: <sup>116</sup>

Completeness – ensuring the sufficiency of accounting information to meet the information needs of users and decision-making;

Efficiency – ensuring fast and accurate work with documents using modern information technologies;

Systematic – elaboration, study and research of documents as an integral set of elements in a set of relations and relations between them;

Openness – the documentation system should be created taking into account the possibility of replenishing and updating its functions without violating the order of appointment and operation;

Efficiency – ensuring a rational balance in the documentation system between the time spent on creating a document and its transfer to the archive;

Legality – the correctness of the paperwork, the compliance of the information contained in them with the requirements and rules of the current legislation;

Timeliness – documentation should ensure the timely

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<sup>116</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

transfer of information that is necessary for the formation of indicators of financial statements, making effective decisions, developing specific measures, operational management;

Complexity – involves coordinated and purposeful satisfaction of users' needs in various types of accounting information;

Orderliness – documentation should ensure the movement of information in accordance with the functional purpose and “throughput” capabilities of information exchange channels;

Flexibility – the ability to document self-development depending on the conditions of functioning.<sup>117</sup>

The most important advantage of theoblique information, which is recorded in accounting documents, is that it fulfills three basic requirements: temporality, quality and quantity. They determine the importance of accounting for the information support of the management system. The temporality of accounting information lies in the fact that the collection and processing of data takes place regularly (within the terms of financial statements) or sporadically (if necessary). The quality indicator speaks for itself, because the positive result of the future actions of the head depends on it. Quantity determines the amount of information at which you can draw certain conclusions or make informed decisions.<sup>118</sup>

The requirements that can be set for each accounting document are as follows: 1) the completeness of the content of the document; 2) accuracy and veracity of these documents; 3) the quality of the document; 4) timeliness of the document.

These principles of documentation and requirements for accounting information make it possible to separate the phenomenon (information aspect) from the fact (economic aspect) and focus the accountant's attention on the phenomenon. From this it follows that the input and output of the accounting system is not Debit and Credit, that is, not

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<sup>117</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

<sup>118</sup> The same source.

accounting coordinates, but a regional procedure: input – primary documents (incoming information), output – reporting (effective information). At the same time, effective information should be understood not so much as the reporting of traditional accounting, as a model that allows you to make multivariate management decisions. That is, accounting information itself is a significant value, regardless of the facts that it records.<sup>119</sup>

Standard forms of accounting for assets are approved by Order No. 352 (Table 1.12.).

*Table 1.12*

**Typical forms of primary accounting documentation for the accounting of fixed assets**

No.	Form name	Appointment
1.	Act of acceptance and transfer (internal movement) of fixed assets	It is used to formalize the enrollment in the composition of fixed assets of individual objects, to account for their commissioning, to formalize the internal movement of fixed assets from one division of the enterprise to another, to formalize the transfer of fixed assets from the warehouse (from the stock) to operation, as well as to exclude from the composition of fixed assets when transferring to another enterprise.
2.	Act of acceptance and delivery of repaired, reconstructed and modernized facilities	It is used for registration of acceptance and delivery of fixed assets for repair, reconstruction and modernization. The technical passport of the corresponding object of fixed assets must be accompanied by the necessary changes to the characteristics of the object related to major repairs, reconstruction and modernization.
3.	Act on the write-off of fixed assets	It is used to formalize the disposal of fixed assets (except for motor vehicles) with their full or partial write-off.
4.	Act on the write-off of motor vehicles	It is used to issue a write-off of a truck or passenger car, trailer or semi-trailer when they are eliminated.
5.	Act on the	It is used in construction and installation

<sup>119</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

	installation, start-up and dismantling of a construction machine	organizations for registration of the transfer, installation and start-up of construction machines and their subsequent dismantling and transfer to the machine rental base.
6.	Inventory card for accounting of fixed assets	It is used to account for all types of fixed assets, as well as for group accounting of the same type of fixed assets that entered operation in the same calendar month, and those that have the same production and economic purpose, technical characteristics and cost. Inventory card is kept in the accounting department for each object or group of objects. In the case of group accounting, the card is filled in by positional records of individual fixed assets.
7.	Description of inventory cards for the accounting of fixed assets	It is used for registration of inventory cards for accounting of fixed assets. The description is compiled in one copy by the accounting department in order to control the storage of inventory cards. Records are kept in the context of classification groups (types) of fixed assets.
8.	Card for accounting for the movement of fixed assets	It is used to account for the movement of fixed assets in classification groups during manual processing of accounting documentation. It is filled in on the basis of the data of inventory cards of the corresponding groups (types) of fixed assets and is compared with the data of synthetic accounting of fixed assets. Based on the final data of these cards, reporting forms on the movement of fixed assets are filled out.
9.	Inventory list of fixed assets	It is used for object accounting of fixed assets at the place of their location (operation) for materially responsible persons. The data of object accounting of fixed assets at their locations (operation) should be identical to the records in the inventory cards for accounting for fixed assets maintained in accounting.
10.	- Calculation of depreciation of fixed assets (for industrial enterprises) - Calculation of depreciation of fixed assets (for	They are used to determine the amount of depreciation of fixed assets related to accrual in the reporting month.

construction organizations) - Calculation of depreciation on vehicles	
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Source: <sup>120</sup>

In addition, there are specialized forms of primary documents on the accounting of fixed assets (Table 1.13).

Table 1.13

**Specialized forms of primary accounting documentation for the accounting of fixed assets (for agricultural enterprises)**

Document name	Purpose of the document
Inventory card for accounting of fixed assets (for perennial plantings)	The inventory card is drawn up in one copy and is kept for each type of perennial plantings, breed, variety, location (separate department, planting, etc.), as well as for each year of planting, indicating the area of planting, during the entire period of their stay at the enterprise.
Act on the acceptance of perennial plantings and their transfer into operation	It is used to design completed works on laying plantations and when transferring plantings into operation. It is compiled by a commission appointed by order (order) of the head of the enterprise. The executed act after its approval by the head of the enterprise is transferred to the accounting department and is the basis for posting plantings in the composition of fixed assets.
Act for the acceptance into operation of protective forest plantations	It is used for registration of completed works on the laying of protective forest plantations and when transferring them to operation. It is compiled by a commission appointed by order (order) of the head of the enterprise. The executed act, after its approval by the head of the enterprise, is transferred to the accounting department and is the basis for posting protective forest plantations in the composition of fixed assets.
Act on the write-off of perennial plantings	Write-off of perennial plantings occurs when they lose their production purpose (as a rule, after the expiration of their biological fruiting) or the inexpediency of their

<sup>120</sup> On approval of standard forms of primary accounting: order of the Ministry of Statistics of Ukraine dated 29.12.95, No. 352. URL: <https://zakon.rada.gov.ua/rada/show/v0352202-95#Text>.

	<p>further operation (liquefaction of more than 70% per 1 hectare, natural disasters, etc.), which is determined by the commission appointed by the order (order) of the head of the enterprise. The executed act, after its approval by the head of the enterprise, is transferred to the accounting department and is the basis for reflecting in the accounting of operations on the disposal of plantations and the posting of values that were obtained during their liquidation (fruit trees, firewood, etc.)</p>
<p>Act on the transfer of animals from group to group</p>	<p>It is used to make the transfer of animals to the main herd. Compiled by a zootechnician, head. farm or other authorized person on the day the animals are transferred. Executed acts signed by the head of the company, head. the farm, zootechnician and employees who have accepted animals for further maintenance are used to account for animals in the Book of Accounting for the Movement of Livestock and the next day after their preparation are transferred to the accounting department and are the basis for posting animals as part of fixed assets.</p>
<p>Act on the culling of an animal from the main herd Act on the culling of animals from the main herd (group)</p>	<p>It is drawn up by a commission appointed by order (order) of the head of the enterprise, which should include a veterinarian. Animals of the main herd can be rejected if they lose useful qualities: a significant decrease in productivity before reproduction, performance, as well as due to incurable diseases, traumatic injuries, vices, old age and underdevelopment. The Act details the reasons for the culling of the animal and the products obtained from culling. The executed acts approved by the head of the enterprise are used to account for animals in the Book of Accounting for the Movement of Livestock and the next day after their preparation are transferred to the accounting department and are the basis for the removal of animals from the composition of fixed assets.</p>

For various business transactions with fixed assets, there is a set of signs and indicators of the document, which must meet the objectives of accounting. For different groups of such operations, primary documents with the appropriate construction are used (form and placement of details,



implemented in standard forms, made in the form of forms).<sup>121</sup>

The reflection of the facts of economic life related to the operation and movement of fixed assets is ensured through a number of successive operations using appropriate accounting techniques and techniques. These operations are preceded by organization as an objective need for the functioning of any process, that is, its ordering in time and space.

Accounting for fixed assets as a component of the accounting process is a logical sequence of stages that occur in a clearly defined order and cannot be separated from each other. At the same time, the obtained information data are processed and the results obtained are summarized in the form of reporting information.

Fig. 1.7 shows a model that illustrates the procedure for forming accounting information on the availability, movement, condition and operation of fixed assets of the enterprise.<sup>122</sup>

The first stage is the starting point from which the accounting of fixed assets begins, since it involves organizational aspects and acts as a necessary and sufficient prerequisite for ensuring the functioning of the three such stages and the fulfillment of the tasks, namely:

- 1) selection of primary documents by which operations on the movement and operation of fixed assets will be executed (from the approved standard forms or the development of their own);
- 2) ensuring correct and timely documentation of operations for the receipt, movement, operation and disposal of fixed assets;
- 3) correct grouping (classification) of fixed assets in accordance with the needs of accounting;
- 4) selection of methods of accounting of fixed assets by specifying the selected methodological methods in the Order on accounting policy;

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<sup>121</sup> Lisna M.O. Organization of primary accounting of fixed assets. *Development management*. 2014. No. 11 (174). pp. 48–50.

<sup>122</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

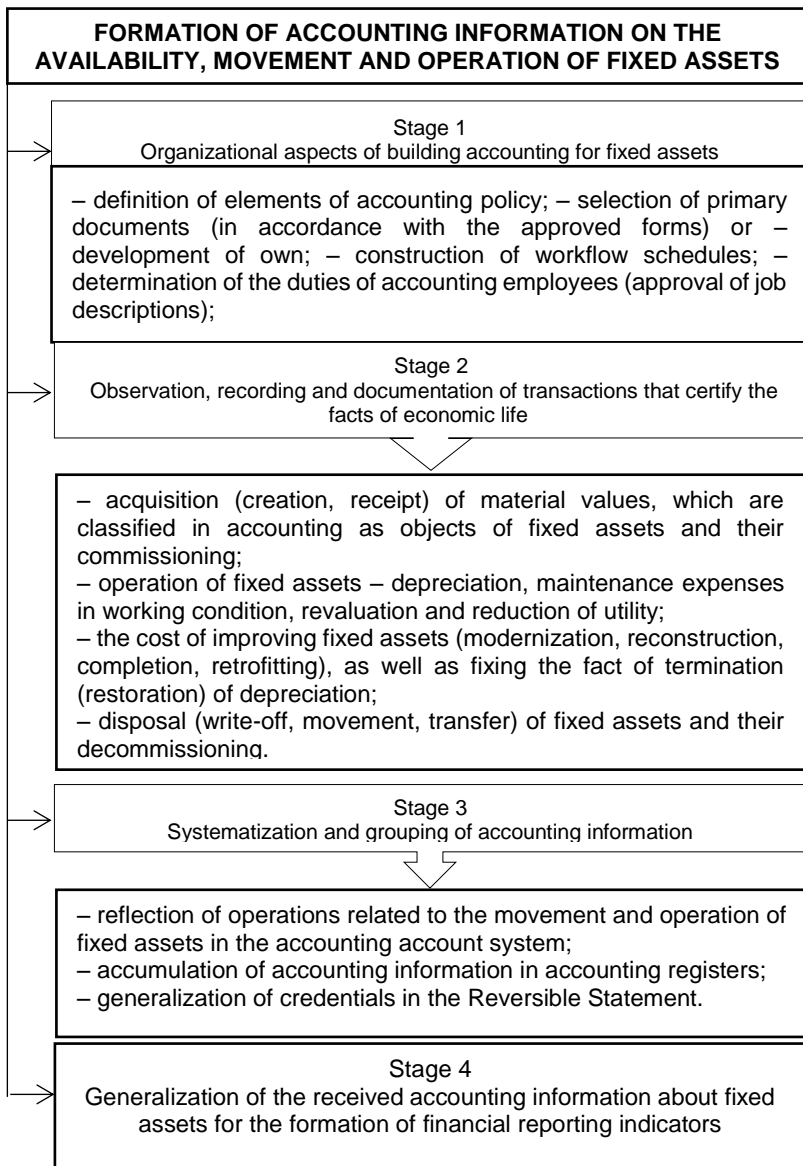


Fig. 1.7. Principles for documenting accounting information to meet the information needs of users

5) establishment of materially responsible persons who will be responsible for the safety of objects;

6) ensuring the inventory of fixed assets within the time limits established by law;

7) determination of the liabilities of accounting employees to reflect in the accounting of transactions with fixed assets, the preparation of accounting registers and the formation of relevant indicators of financial statements.

The first stage, unlike the next ones, does not imply repetition in time – the initially established provisions of the organization can only be transformed. This is due to the constant work to improve the functioning of the accounting system for fixed assets and bring it in line with changes in current legislation.

The second stage reflects a set of measures related to the technical support of accounting for fixed assets. It provides for the observation and recording of business transactions regarding the movement and operation of facilities in primary documents for subsequent reflection in the accounting registers. At this stage, there is an application of individual elements of the accounting method, primarily documentation and inventory, which provide interrelated actions – observation, control, cost measurement and registration of facts of economic life in primary documents. The value reflection of business transactions is provided through valuation. So, the result of this stage is the primary accounting documentation.

At the third stage, there is a systematization and grouping of data in the system of accounts of accounting and in accounting registers using double entry and various technical means. The purpose of accounting information determines the sections of analytical accounting, the composition and content of accounting registers. As a result, a set of properly generalized and systematized indicators about the available fixed assets, as well as the expenses that have arisen as a result of their operation, is obtained.

The fourth stage involves the generalization of the information data obtained in the form of reporting indicators on the state of fixed assets of a business entity. At this stage, such elements of the accounting method as balance sheet and

reporting are used, which, together with information about fixed assets, provide information about all types and directions of activity of the enterprise, which provides the ability to predict its development. Based on the constructed model of formation of accounting information and certain stages of its movement, the process of documenting operations related to the presence, movement and operation of fixed assets is considered through the prism of new (alternative) forms of primary documents (Table 1.14).

*Table 1.14*

**Alternative approaches in documenting accounting information about fixed assets**

No.	Document name	Purpose of the document	Optimal accounting information to be reflected in the document (except for mandatory details)
Receipt (acquisition, creation, receipt) of fixed assets			
1	Act of commissioning of fixed assets	Documentation of fixed assets coming from various sources (purchased for cash from suppliers or through accountable persons; received free of charge, or as a contribution to the authorized capital, received in exchange for similar (non-similar) assets made on their own) and which are recorded on account 10 "Fixed Assets" (in the context of relevant subaccounts) Certifies the fact of commissioning	the main requisite of the document is the Ways of receipt of fixed assets: gives a clear idea of the source of receipt of objects and determines the correspondence of accounts during commissioning. All possible ways of receipt are laid in the document – when making out, the mark "X" highlights the necessary
			name and inventory number of the object
			location (operation), materially responsible person
			initial value – in terms of components: capital investment for acquisition (creation) and fair value
			correspondence of accounts (for the

			commissioning of the facility) Liquidation value useful life depreciation method (according to the Order on accounting policies) expense accounting account – to reflect depreciation and expenses that arise during the operation of the facility commissioning date and depreciation start date The results of the inspection and the conclusion of the commission on the commissioning of the facility
2	Annex to the Act on the internal movement of fixed assets	Certifies the fact of change of location (operation) and materially responsible person	Compiled as necessary (with a minimum display of accounting information about the object itself) is actually an annex to the Act of commissioning of fixed assets
Disposal (write-off, transfer, transfer) of fixed assets			
3	The act of decommissioning fixed assets	Documentary reflection of the process of disposal of fixed assets from the enterprise in various ways (transfer to the composition of non-current assets held for sale, free transfer, write-off (liquidation), contribution to the authorized capital of another enterprise, exchange for similar assets) and which are recorded on account	the main requisite of the document – Ways (reasons) of disposal of fixed assets: gives a clear idea of the ways of disposal of objects and determines the correspondence of accounts during decommissioning. All possible ways of disposal are laid in the document – when making out, the mark “X” highlights the necessary name and inventory

		10 "Fixed assets" (in the context of subaccounts) Certifies the fact of decommissioning	<p>number of the object</p> <p>date of commissioning and date of termination of depreciation</p> <p>Components of the initial cost: residual value and accumulated depreciation</p> <p>correspondence of accounts (on the decommissioning of the facility)</p> <p>The results of the inspection and the conclusion of the commission on the decommissioning of the facility</p>
4	Annex to the Calculation of the results of the write-off of the object and the technical characteristics of the units	Certifies the fact of determining the results of write-off (liquidation) of the object and the technical characteristics of the units regarding the expediency (inexpediency) of their use in further economic activities	Compiled as necessary (with a minimum display of accounting information about the object itself) is actually an annex to the Act of Decommissioning of Fixed Assets
Availability and operation of fixed assets			
5	Inventory card for accounting of fixed assets	Accumulates in itself all the information relating to the movement of the object of fixed assets on which this card is drawn up, reflects the credentials on the receipt, availability and disposal of fixed assets, which are recorded on account	It is conventionally divided into four information blocks: 1) general information about the object – name and inventory number; location (operation); subaccount of accounting for the object; expense accounting account; Depreciation method

		<p>10 "Fixed Assets", as well as their revaluation and improvement, as a result of reconstruction, modernization or completion</p>	<p>2) accounting information on the commissioning of the facility and its decommissioning – is compiled on the basis of the above documents: Act of commissioning and act of decommissioning</p> <p>3) accounting information on the improvement of fixed assets (reconstruction, modernization, completion) – is compiled on the basis of the following document of the Act of decommissioning and commissioning of fixed assets B</p> <p>4) accounting information on the revaluation of the object of fixed assets – initial value, accumulated depreciation, residual value, fair value at the date of revaluation, revaluation index and revaluation results</p>
6	<p>The act of decommissioning and commissioning of fixed assets in connection with modernization, reconstruction, completion</p>	<p>The document is intended to record the moment of termination of depreciation of fixed assets at the time of their completion, modernization, reconstruction and restoration of depreciation after the work performed to improve them Certifies the fact of change in the initial</p>	<p>The document consists of two parts: part 1 "Decommissioning of the object" : 1) general information about the object of fixed assets: the name of its inventory number, location (operation), materially responsible person; initial cost and subaccount of accounting for the object; 2) reasons for decommissioning and</p>

		value of the object	an administrative document certifying this fact; 3) date of termination of depreciation
			part 2 “Commissioning of the facility”: 1) general information about the object of fixed assets; 2) expenses that are recognized as part of capital investments; the initial cost of the object after work on its improvement; depreciation; 3) the results of the inspection and the conclusion of the commission on the commissioning of the facility

Source: <sup>123</sup>

The organization of document circulation of fixed assets is presented in Fig. 1.8.

All available stages of operation of fixed assets, which are executed by the relevant documents, are subject to reflection in the accounting, where they are summarized in synthetic registers (for large agricultural enterprises – in order journals; for small farms – in registers according to a simplified form of accounting).<sup>124</sup>

<sup>123</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

<sup>124</sup> Zamlynsky V.A. Accounting for fixed assets: documenting business transactions. *Accounting and finance of the agro-industrial complex*. URL: <http://magazine.faaf.org.ua/oblik-osnovnih-zasobiv-dokumentuvannya-gospodarskih-operaciy.html>.



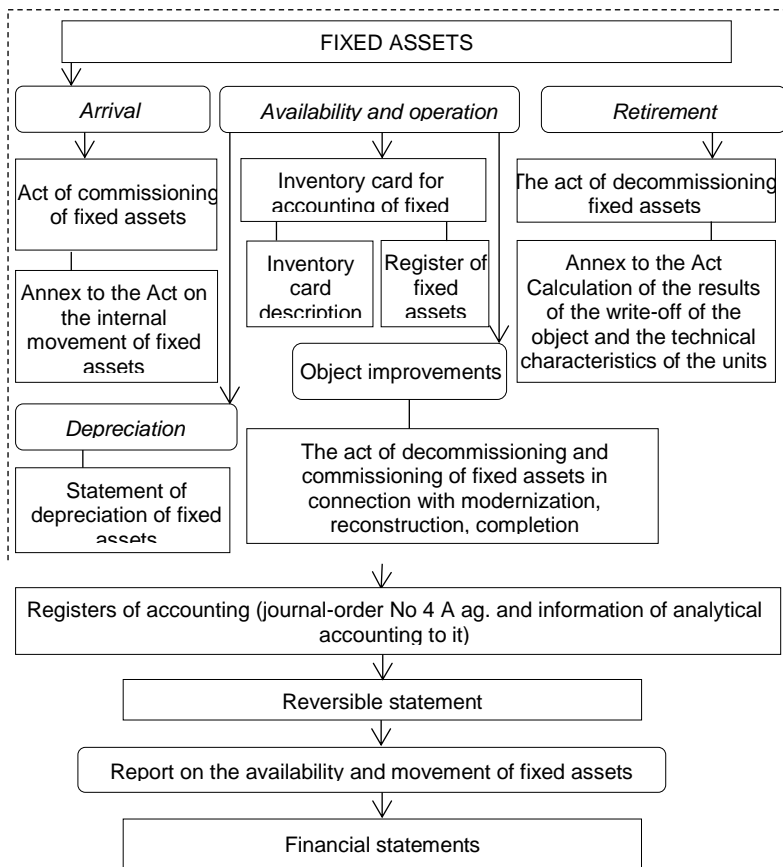


Fig. 1.8. Conceptual model of document flow on the availability and movement of fixed assets

Source: <sup>125</sup>

All fixed assets that come to the enterprise are assigned to materially responsible persons.<sup>126</sup>

The unit of accounting for fixed assets in accordance with the

<sup>125</sup> Stepanenko O.I., Chernyshenko Y.G. Alternative approaches in documenting accounting information about fixed assets of the enterprise. *Scientific Bulletin of Uzhhorod National University*. 2015. Issue. 5. pp. 151–157.

<sup>126</sup> Gnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

Regulation (standard) of accounting 7 “Fixed assets” is an object of fixed assets – a complete device with all devices and devices to it, or a separate structural object designed to perform certain independent functions, or a separate complex of structurally combined objects of the same or different purpose, which have for them, maintenance common devices, control devices, or a single foundation, As a result, each item can perform its functions, and the complex – a certain work only in full force.

Analytical accounting is conducted for each inventory object in kind and in cash.

Analytical accounting allows, on the one hand, to monitor the safety, use, technical condition of individual inventory objects of fixed assets, and on the other hand, to ensure the receipt of the necessary information on the availability and movement of fixed assets for each classification group, at the locations and operation and in general for the enterprise.<sup>127</sup>

Analytical accounting of fixed assets is carried out in inventory cards that are specialized for each of their types: for buildings, structures, machinery and equipment, group accounting of the same type of objects. Inventory cards contain information about the technical features of the object, their inventory number, initial cost, depreciation rate, etc. Entries in inventory cards are carried out according to the data of primary documents, technical passports. Cards, as a rule, can be compiled in one copy and stored in the accounting department in the card file. However, there may be an option to build analytical accounting using two copies of inventory cards – one is stored in the accounting department, and the second – at the place of operation of the fixed asset.<sup>128</sup>

Completed inventory cards are registered in the inventory cards for the accounting of fixed assets. Description of inventory cards lead to classification groups of fixed assets. When leaving fixed assets, notes are made in the description, and the corresponding card is attached to the act of writing off fixed

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<sup>127</sup> Accounting for fixed assets. URL: <https://studfile.net/preview/5726257/page:3/>

<sup>128</sup> Gnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

assets. Such registers also reflect changes in the value of fixed assets and the amount of depreciation during the revaluation of fixed assets.<sup>129</sup>

Inventory cards for fixed assets and other non-current assets received or withdrawn during the month are concentrated in the card file separately. At the end of the month, on their basis, they fill out the Registration Card for the movement of fixed assets.<sup>130</sup>

Synthetic accounting is a generalized accounting in monetary valuation. For synthetic accounting of fixed assets, accounts are used:<sup>131</sup>

a) 10 “Fixed assets” (active, inventory). It accounts for fixed assets at the initial cost.

Account 10 has subaccounts:

- 100 “Investment real estate”;
- 101 “Land plots”;
- 102 “Capital gains for land improvement”;
- 103 “Buildings and structures”;
- 104 “Machinery and equipment”;
- 105 “Vehicles”;
- 106 “Tools, instruments and inventory”;
- 107 “Animals”;
- 108 “Perennial plantings”;
- 109 “Other fixed assets”.

b) 13 “Depreciation of non-current assets” (regulatory, contractual). This account reflects data on the accrual of depreciation and indexation of depreciation of fixed assets.

Account 13 has subaccounts:

- 131 “Depreciation of fixed assets”;
- 132 “Depreciation of other non-current tangible assets”;

c) 15 “Capital investments” (active, calculation). Accounting for the expenses of acquiring or manufacturing (creating) fixed assets is carried out.

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<sup>129</sup> Gnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>130</sup> The same source.

<sup>131</sup> Accounting for fixed assets. URL: <https://studfile.net/preview/5726257/page:3/>

- 151 “Capital construction” (construction expenses by economic or contracting means);

- 152 “Acquisition (creation) of fixed assets”.

d) 83 “Depreciation” – is needed to reflect the accrued depreciation at enterprises using class 8 accounts.

In addition, to account for individual business transactions with fixed assets, accounts can be used:

- 14 “Long-term financial investments”;

- 42 “Additional capital”;

- 46 “Unpaid Capital”;

- 74 “Other revenue”;

- 97 “Other expenses”.<sup>132</sup>

On the debit of account 10 “Fixed Assets” reflect:

- receipt (acquired, created, free of charge received) of fixed assets credited to the balance sheet of the enterprise,

- the amount of expenses associated with the improvement of the facility (modernization, modification, completion, retrofitting, reconstruction, etc.), leading to an increase in future economic advantages initially expected from the use of the volume,

- the amount of revaluation of the value of the object of fixed assets. On the loan of account 10 “Fixed assets” reflect:

- disposal of fixed assets as a result of sale, liquidation, free transfer to other enterprises,

- partial liquidations,

- the amount of markdown on the value of fixed assets.<sup>133</sup>

All expenses of the enterprise associated with the receipt of fixed assets are collected on account 15 “Capital investments”. Under the capital investment understand the expenses of the enterprise for the acquisition or creation of fixed assets, other non-current tangible assets and intangible assets, as well as the cost of reconstruction, expansion and technical re-equipment of existing enterprises.<sup>134</sup>

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<sup>132</sup> Accounting for fixed assets. URL: <https://studfile.net/preview/5726257/page:3/>

<sup>133</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>134</sup> The same source.

Synthetic accounting of capital investment expenses is carried out on account 15 “Capital investments” on subaccounts:

- 151 “Capital construction”;
- 152 “Acquisition (manufacture) of fixed assets”;
- 153 “Acquisition (manufacture) of other non-current tangible assets”;
- 154 “Acquisition (creation) of intangible assets”;
- 155 “Acquisition (cultivation) of long-term biological assets”.

The debit of account 15 “Capital investments” and its subaccounts reflect the expenses of acquiring or creating tangible and intangible non-current assets, and on the loan – their write-off to the cost of commissioned facilities.<sup>135</sup>

Analytical accounting of capital investments is carried out in accordance with the types of fixed assets, other tangible non-current assets, intangible assets, as well as for individual objects of capital investments (inventory objects).<sup>136</sup>

The process of acquisition (construction) of fixed assets can be depicted schematically (Fig. 1.9).

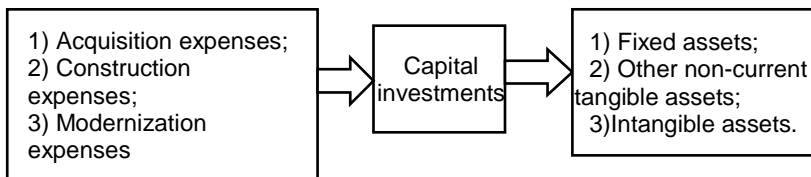


Fig. 1.9. The process of acquisition (construction) of non-current assets

Source: <sup>137</sup>

The organization of accounting for capital investments is influenced by the method of performance of work: by contract (that is, by specialized organizations on a contractual basis) or

<sup>135</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>136</sup> The same source.

<sup>137</sup> The same source.

by economic means (that is, by the forces and means of the enterprise itself). In the contracting method of performing work, the accounting of material, labor and financial expenses for the work performed is carried out by the contractor himself.

The ordering company, in this case, only records the expenses of capital investments and makes settlements with the contractor for the work performed and accepted according to the acts. Based on this, the developer for the cost of construction and installation work performed and adopted under the acts of construction and installation work in accounting makes an entry: D-t 15 "Capital investments" (corresponding subaccount) and C-t 63 "Settlements with suppliers and contractors".

The same record draws up the cost of purchased fixed assets that do not require installation (vehicles, measuring instruments, production and household equipment, etc.).

When transferring equipment requiring installation to the facilities under construction in accounting, make an entry: D-t 151 "Capital Construction" and C-t 205 "Building materials".<sup>138</sup>

Amount of tax credit from value added tax to which the company has the right to reduce the tax liability is included in the accounts of contractors when performing capital work, suppliers when purchasing fixed assets, other non-current tangible assets, intangible assets, is reflected in the record: D-t 641 "Tax Calculations" and C-t 63 "Settlements with suppliers and contractors".<sup>139</sup>

In the economic method of performing construction and installation work, the cost of capital investments is reflected by the developer on the debit of account 15 "Capital investments" in correspondence with the credit of the relevant accounts:

- 205 "Building materials" (for the cost of spent building materials and equipment transferred for installation on the objects under construction);
- 661 "Calculations for payments to employees", 65 "Calculations for insurance" (for the amount of wages accrued

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<sup>138</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>139</sup> The same source.

by a worker engaged in construction work, and deductions for social events) and so on.<sup>140</sup>

According to account 15 “Capital investments” calculate the actual cost of completed construction objects (reconstruction, modernization, acquisition). Commissioning of each object is drawn up by the Act of acceptance and transfer of fixed assets.

Crediting to the balance sheet of commissioned fixed assets at the actual cost of their construction (manufacture, acquisition) in accounting is reflected in the record: D-t 10 “Fixed assets” and C-t 15 “Capital investments”.

Posting on the balance sheet of fixed assets contributed by the founders (participants) to the authorized capital of the enterprise, at a fair value agreed by the parties, is reflected in the record: D-t 10 “Fixed assets” and C-t 40 “Registered (share) capital”.

Fixed assets received in the order of free transfer from other legal entities are reflected in the accounting records of:

1) on the fair value of the accepted objects (according to the data of the transmitting party): D-t 10 “Fixed assets”, C-t account. 424 “Non-current assets received free of charge”;

2) on the amount of the cost of delivery of objects: D-t 15 “Capital investments”, C-t 685 “Settlements with various creditors” and more;

3) for the amount recognized as revenue (as depreciation is calculated), for free received fixed assets: D-t 424 “Non-current assets received free of charge” and C-t 745 “Revenue from gratuitously received assets”.

Sources of financing of capital investments can be both own funds (profit, depreciation, budget financing, financing of third-party organizations in the order of equity participation in construction, etc.), and attracted funds (bank loans and other borrowed funds).<sup>141</sup>

Funds received by the developer from shareholders for equity participation in the construction of the facility are reflected in the debit entry of account 31 “Bank accounts” and the credit

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<sup>140</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>141</sup> The same source.

of account 48 “Targeted financing and targeted receipts” with the inclusion in the analytical accounting of reports on the shareholder and the construction object.

After drawing up the documents on the ownership of the corresponding part of the constructed object, the developer at the appropriate cost reflects the use of funds for targeted financing by recording: D-t 48 “Targeted financing and targeted revenues”, C-t 15 “Capital investments”.

The shareholder of the funds transferred to the developer for equity participation in the construction of the object reflects the entry on the debit of account 377 “Settlements with various debtors” in correspondence with the credit of account 31 “Bank accounts”. After receiving properly executed documents on the ownership of the relevant part of the constructed object (apartment, non-residential premises), makes an entry on the debit of account 15 “Capital investments” and the credit of account 377 “Settlements with various debtors” Enrollment to the balance of the own part of the constructed object is reflected by the entry on the debit of account 10 “Fixed Assets” and the credit of account 15 “Capital Investments”.<sup>142</sup>

Consequently, any acquisition, installation or construction is carried out through account 15 “Capital investments”, the closure of which is carried out on accounts 10 “Fixed assets”, 11 “Other non-current tangible assets”, 12 “Intangible assets” (Fig. 1.10).

In the case of the purchase of new fixed assets, if there is no need for construction or installation work, this business transaction in accounting is reflected in the following entry: debit of account 10 “Fixed assets” credit of account 63 “Settlements with suppliers and contractors”. According to the variant of the journal-order form of accounting in accordance with the Methodological Recommendations for the use of registers of the journal-order form of accounting for agricultural enterprises (Order of the Ministry of Agrarian Policy of 4.06.2009 No. 390), on the basis of these cards of the movement of fixed assets make analytical data to account 10. Each subaccount reflects

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<sup>142</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.



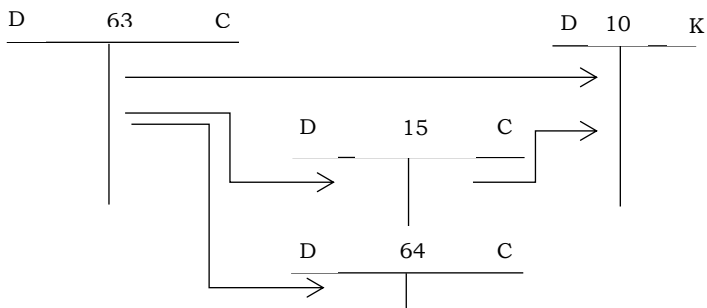


Fig. 1.10. The scheme of correspondence of accounts for the formation of the book value of fixed assets

Source: <sup>143</sup>

the balance at the beginning of the month, the turnover on debit and credit and the balance at the end of the month. The result of the account is compared with the synthetic accounting data in the General ledger. Entries in registers are carried out in this order (Fig. 1.11).<sup>144</sup>

Synthetic accounting for accounts 10, 11, 12, 15, 18 is kept in the Journal No. 4-A ag. Records on the loan of these accounts are carried out on the basis of primary documents, accounting certificates. At the end of the month, credit turnover of accounts 10, 11, 12, 15, 18 from the Journal No. 4 A ag. transferred to the General ledger.<sup>145</sup>

According to the Tax Code of Ukraine, fixed assets are tangible assets, including mineral reserves of subsoil areas provided for use (except for the value of land, unfinished capital investments, public roads, library and archival funds, tangible assets, the value of which does not exceed UAH 20,000, non-productive fixed assets and intangible assets), which are appointed by the taxpayer for use in the economic activities of the payer tax, the cost of which exceeds UAH 20,000 and

<sup>143</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>144</sup> Methodical recommendations on the use of registers of journal-order form of accounting for agricultural enterprises: Order of the Ministry of Agrarian Policy of 4.06.2009 No. 390.

<sup>145</sup> The same source.

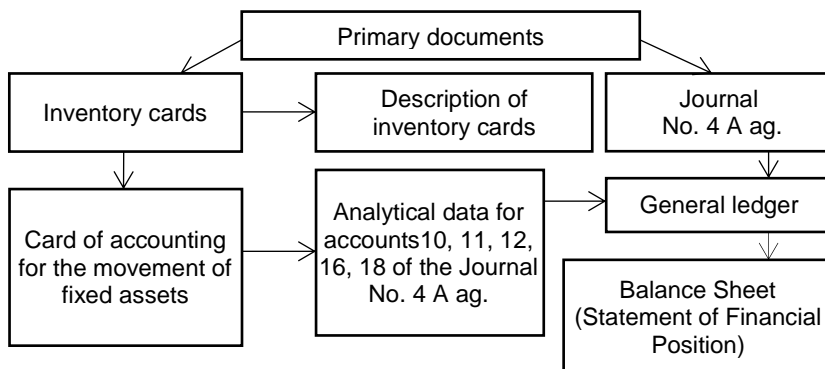


Fig. 1.11. Scheme of records in registers for accounting of fixed assets

Source:<sup>146</sup>

gradually decreases due to physical or moral wear and tear and the expected useful life (operation) of which from the date of commissioning is more than one year (or the operating cycle, if it is longer than a year).<sup>147</sup>

The state depreciation policy is an important tool for intensifying the investment activity of enterprises in a market economy. The development of a reasonable depreciation policy allows to stimulate the growth of investments, the renewal of products and the production apparatus.<sup>148</sup>

Table 1.15 shows the terms used in the organization of depreciation accounting.

The Tax Code of Ukraine fixed the object accounting of fixed assets, therefore, depreciation will be calculated monthly (the amount of amortization for the billing quarter corresponds to the product of the monthly amount of depreciation for three months) and object-wise.<sup>149</sup>

<sup>146</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>147</sup> Tax Code of 02.12.2010 No. 2755-VI. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>.

<sup>148</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>149</sup> Kasyanova V.O. Depreciation of fixed assets: methods of accrual and organization of accounting. *Economic Bulletin of Donbass*. 2013. No. 2 (32).

Table 1.15

**Conceptual apparatus necessary for understanding for calculating depreciation**

No.	Term	Definition
1	Depreciation	systematic distribution of the value of fixed assets, other non-current and depreciable intangible assets over the period of their useful use (operation)
2	The value of fixed assets, other non-current and intangible assets, which is depreciated	initial or revalued value of fixed assets, other non-current and intangible assets minus their liquidation value.
3	Depreciation of non-current assets	the amount of depreciation of the object of non-current assets from the beginning of their useful use.
4	Residual value of fixed assets, other non-current and intangible assets	the amount of the residual value of such funds and assets, which is defined as the difference between the initial cost and the amount of calculated depreciation
5	Liquidation value	the amount of funds or the value of other assets that the company expects to receive from the sale (liquidation) of non-current assets after the expiration of their useful life (operation), minus the expenses associated with the sale (liquidation)

*Source: formed by the authors on the basis of <sup>150</sup>*

Depreciation is not charged for the period of non-use (operation) of fixed assets in economic activities in connection with their conservation.<sup>151</sup>

However, not all non-current assets are subject to depreciation.

The Tax Code separately distinguishes between objects subject to depreciation and those that are not depreciated (Table 1.16).

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pp. 117–122.

<sup>150</sup> Tax Code of 02.12.2010 No. 2755-VI. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>.

<sup>151</sup> The same source.

Table 1.16

**Objects subject to and not subject to depreciation**

Depreciation is subject to	Not subject to depreciation and are fully included in the expenses for the reporting period, such expenses of the taxpayer	Not subject to depreciation and carried out at the expense of appropriate sources of financing
The cost of acquiring fixed assets, intangible assets and long-term biological assets for use in business activities.	The cost of maintaining fixed assets that are on conservation.	Expenditures of budgets for the construction and maintenance of landscaping facilities and residential buildings, the acquisition and preservation of library and archival funds.
The cost of independent production of fixed assets for the cultivation of long-term biological assets for use in economic activity, including the cost of paying salaries to employees who were employed in the manufacture of such fixed assets.	The cost of liquidation of fixed assets.	Expenditures of budgets for the construction and maintenance of public roads.
The cost of repair, reconstruction, modernization and other types in the improvement of fixed assets exceeding 10% of the total book value of all groups of fixed assets subject to depreciation at the beginning of the reporting year.	The cost of acquiring (manufacturing) stage staged items worth up to 5 thousand rubles. UAH. theatrical and entertainment enterprises-taxpayers.	Expenses for the acquisition and preservation of the National Archival Fund of Ukraine, as well as the library fund, which is formed and maintained at the expense of budgets.

The cost of capital improvement of land is not related to construction, namely: irrigation, drainage and other similar capital improvements to the land.	The cost of producing a national film and acquiring intellectual property rights to a national film.	The cost of goodwill.
Capital investments received by the taxpayer from the budget in the form of targeted financing for the acquisition of the investment object (fixed assets, intangible assets), subject to the recognition of revenue in proportion to the amount of accrued depreciation on such an object		Expenses for acquisition (independent production) and repair, as well as for reconstruction, modernization or other improvements of non-productive fixed assets (non-productive fixed assets – non-current tangible assets that are not used in the economic activities of the taxpayer).
The amount of revaluation of the value of fixed assets carried out		
The cost of free-of-charge received power supplies facilities, gas and heat supplies, water supplies, sewerage networks built by consumers at the request of specialized operating enterprises in accordance with the technical conditions for connection to the specified networks or facilities.		

Source: summarized by authors based on <sup>152</sup>

<sup>152</sup> Tax Code of 02.12.2010 No. 2755-VI. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>.

The norms of the Tax Code provide for object accounting of fixed assets within 16 groups and determine the minimum allowable useful life of fixed assets (Table 1.17).<sup>153</sup>

*Table 1.17*

**Classification of groups of fixed assets and other non-current assets**

Group	Minimum allowable useful life, years
group 1 – land plots	-
group 2 – capital expenditures for land improvements not related to construction	15
group 3 – buildings,	20
Facilities	15
Transmitting devices	10
group 4 – machinery and equipment	5
of these:	
Computers, other machines for automatic processing of information, related means of reading or printing information, related computer programs (except for programs, the cost of acquiring which is recognized as royalties, and/or programs that are recognized as an intangible asset), other information systems, switches, routers, modems, uninterruptible power supplies and means of their connection to telecommunication networks, phones, the cost of which exceeds 20000 UAH	2
group 5 – Transport or means	5
group 6 – tools, appliances, equipment (furniture)	4
group 7 – animals	6
group 8 – perennial plantings	10
group 9 – other fixed assets	12
group 10 – library funds	-
group 11 – low-value non-current tangible assets	-
group 12 – temporary (not titular) buildings	5
Group 13 – Natural resources	-
group 14 – inventarna tara	6
group 15 – rental items	5
group 16 – long-term biological assets	7

*Source:* <sup>154</sup>

<sup>153</sup> Tax Code of 02.12.2010 No. 2755-VI. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>.

<sup>154</sup> The same source.

The minimum allowable periods of depreciation of fixed assets and other non-current assets are used taking into account the following.

In the case when the useful life (operation) of an object of fixed assets in accounting is less than the minimum allowable depreciation period of fixed assets and other non-current assets, then the terms established by this subparagraph are used to calculate depreciation.

In the case when the useful life (operation) of an object of fixed assets in accounting is equal to or greater than those established by this subparagraph, then the useful life (operation) of the fixed asset established in accounting is used to calculate depreciation.<sup>155</sup>

NR(S)A 7 "Fixed Assets" contains five methods of calculating depreciation: rectilinear, reduction of residual value, accelerated reduction of residual value, cumulative, production. It is also allowed to use the depreciation rates of fixed assets provided for by tax legislation.<sup>156</sup>

The procedure for calculating depreciation deductions is given in Table 1.18.

Suppose that at an enterprise the initial cost of a carpentry machine is determined in the amount of 120000.00 hryvnia, and the liquidation value is determined in the amount of 8000.00 hryvnia. The technical documentation for the machine indicates that its productivity is 1000 products per hour, and the maximum number of products until the onset of complete wear of the machine is 10 000 000 pcs. The commission for the commissioning of this machine determined that its useful life should be 12 years, and the economic service, based on the practice of using similar equipment, determined that this machine should be quite morally outdated after 8 years of its useful operation. In this regard, the commission decided that the cost of the machine, which is subject to depreciation, is

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<sup>155</sup> Tax Code of 02.12.2010 No. 2755-VI. URL: <https://zakon.rada.gov.ua/laws/show/2755-17>.

<sup>156</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. Lviv: "Magnolia 2006". 2014. 432 pp.

Table 1.18

### Depreciation methods

Depreciation method	Method for determining the annual amount of depreciation
Rectilinear	Dividing the depreciable value by the useful life of the object. It is used for objects of groups 9, 12, 14, 15.
Reduction of residual value	The annual depreciation rate (as a percentage) is calculated as the difference between the unit and the result of the root of the degree of the number of years of useful use of the object from the result of the separation of the liquidation value of the object by its initial value.
Accelerated reduction in residual value	The annual amount of depreciation is defined as the product of the residual value of the object at the beginning of the reporting year or the initial value at the date of the beginning of depreciation and the annual depreciation rate, which is calculated according to the useful life of the object and doubled. Method 3 is used only when calculating the depreciation of fixed assets belonging to group 4 (machinery and equipment) and 5 (vehicles).
Cumulative	The annual amount of depreciation is defined as the product of the depreciable value and the cumulative coefficient. The cumulative coefficient is calculated by dividing the number of years remaining until the end of the useful life of an object of fixed assets by the sum of the number of years of its useful use.
Production	The monthly amount of depreciation is defined as the product of the actual monthly volume of products (works, services) and the production depreciation rate. The production depreciation rate is calculated by dividing the depreciable cost by the total volume of products (works, services) that the company expects to produce (perform) using the object of fixed assets.

*Source:* <sup>157</sup>

112000.00 games., and the useful life is 8 years.<sup>158</sup>

*Rectilinear method.* <sup>159</sup> The essence of the presented method lies in the uniform (rectilinear) distribution of the cost, which is

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<sup>157</sup> Kasyanova V.O. Depreciation of fixed assets: methods of accrual and organization of accounting. *Economic Bulletin of Donbass*. 2013. No. 2 (32). pp. 117–122.

<sup>158</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>159</sup> The same source.



depreciated during the useful life (operation) of the object of fixed assets. In this case, you must first determine the depreciation rate, and then the amount of depreciation for the month. The depreciation rate can be determined annual, quarterly and monthly. Since NR(S)A7 recommends that depreciation be charged monthly, it is better to calculate the depreciation rate monthly. Calculated rate depreciation by the formula:

$$DR = 1:PN, \quad (1.1)$$

where: DR is the depreciation rate,  
PN - the number of periods of useful use (operation) included in the useful life (operation) of the object of fixed assets. According to the condition of our example, the monthly depreciation rate of a carpentry machine at a conventional enterprise will be equal to:

$$DR = 1:96 \text{ months} = 0.0104167.$$

Now you can determine the amount of depreciation by the formula:

$$AD = DV \times DR, \quad (1.2)$$

where: AD – the amount of depreciation (in this case, per month),

DV – depreciation value. So, the amount of depreciation of the machine for one month is equal to:

$$AD = 112000.00 \text{ UAH} \times 0.0104167 = 1166.67 \text{ UAH}.$$

In accounting, the accrued depreciation of the machine involved in the main production of the enterprise will be displayed as follows: D-t 23, K-t 131 in the amount of UAH 1166.67:

*The method of reducing the residual value.* According to this method, an annual decrease in residual value is carried out by the amount of annual depreciation, which is defined as the product of the residual value of the object at the beginning of the reporting year or the initial value at the date of the beginning

of depreciation and the annual depreciation rate <sup>160</sup>. The annual depreciation rate (as a percentage) is calculated as the difference between the unit and the result of the root of the degree of the number of years of useful use of the object from the result of the distribution of the liquidation value of the object to its original cost.

As you can see, in this case, in contrast to the previous one, the annual rather than monthly depreciation rate is determined and it is determined by a rather complicated formula:

$$ADR = \left( 1 - \sqrt[\text{TKE}]{\frac{LV}{IC}} \right) * 100, \quad (1.3)$$

where: ADR – annual depreciation rate, district heating companies – useful life, LV – liquidation value, IC – initial cost.

The next difference between this method and the rectilinear one is that the initial cost, and not the amortized cost, increases by the depreciation rate, and only in the first year of depreciation (useful use (operation), and in subsequent years, the residual value of the fixed asset increases by the depreciation rate at the beginning of the corresponding (reporting) year. Suppose that a decision was made on the depreciation of the purchased carpentry machine by reducing the residual Cost. We determine the annual depreciation rate per year.

$$ADR = \left( 1 - \sqrt[8]{\frac{8000}{120000}} \right) * 100 = 1 - 0,7128343 = 0,2871657$$

Since we determined the depreciation rate to be annual, we initially get the amount of depreciation as annual. The calculation formula will be as follows:

$$AD(y) = IC \times DR, \quad (1.4)$$

where: AD (y) – the amount of depreciation (in this case, for

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<sup>160</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

the year), IC – the initial cost.

So, the amount of annual depreciation of the machine, in accordance with the conditions of example No. 1, subject to the accrual of depreciation by reducing the residual value, will be equal to:

$AD(y) = 120000.00 \times 0.2871657 = 34459.88$  UAH. The monthly amount of depreciation is determined by dividing the annual depreciation amount by 12:

$$AD = AD (y) / 12 \text{ months.}$$

$$AD = 34459.88 / 12 = 2871.66 \text{ UAH.}$$

*The method of accelerated reduction of residual value.* In <sup>161</sup> accordance with NR(S)A7 according to this method, the annual amount of depreciation is defined as the product of the residual value of the object at the beginning of the reporting period or the initial value at the date of the start of depreciation and the annual depreciation rate. In turn, the annual depreciation rate is determined on the basis of the useful life of the object, and doubles.

$$DR = 1: PN \times 2 \times 100\%, \quad (1.5)$$

where: DR is the depreciation rate (in this case, for the year);  
PN – the number of periods of useful use (operation) (in this case – years) included in the useful life (operation) of the fixed asset.

The formula for determining the annual amount of depreciation will be as follows:

$$AAD (y) = IC (RV) : 100\% \times DR, \quad (1.6)$$

where: AAD (y) – annual amount of depreciation;  
IC (RV) – initial cost (on the date of commencement of depreciation) or residual value (at the beginning of the reporting period during which depreciation will be calculated).

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<sup>161</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

Suppose that a decision was made to amortize the acquired machine by the method of accelerated reduction of residual value, and it was decided to determine the annual rate of its depreciation as a percentage. We calculate the annual depreciation rate according to the formula:

$DR = 1 : PN \times 2 \times 100\% = 1:8 \times 2 \times 100 = 25\%$ . So, the annual amount of depreciation of the machine will be equal to:

$AD (y) = IC : 100 \times DR = 120000.00 \text{ UAH.} : 100 \times 25 = 30000.00 \text{ UAH}$

Since NR(S)A7 requires the accrual of depreciation to be carried out monthly, then, dividing the annual amount of depreciation of the machine by 12, the monthly amount of depreciation is obtained:

$30000,00 \text{ UAH} : 12 = 2500.00 \text{ UAH}$

*Cumulative method.*<sup>162</sup> In NR(S)A7 it is determined that according to the method presented, the annual amount of depreciation is defined as the product of the depreciable value and the cumulative coefficient. At the same time, the cumulative coefficient is determined by the distribution of the number of years remaining until the end of the useful life of the fixed asset by the sum of the number of years of its useful use. The cumulative coefficient is determined for each year of useful operation separately and, Naturally, it will be different in its meaning. Each year of operation is indicated by its ordinal number. For example, an object of fixed assets with a useful life of 3 years will have the sum of the number of years of useful operation of six:

$1 + 2 + 3=6$ .

Thus, the formula for determining the cumulative coefficient will be as follows:

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<sup>162</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

$$CC = YN : SNYO, \quad (1.7)$$

where: CC – cumulative coefficient;  
 YN – the number of years remaining until the end of operation of the facility; SNYO – the sum of the number of years of operation. The formula for determining the annual amount of depreciation will be as follows:

$$AAD (y) = AC \times CC, \quad (1.8)$$

where: AAD (y) – annual amount of depreciation;  
 AC – the cost to be amortized. Suppose that a decision was made regarding the depreciation of the acquired machine by the cumulative method. To begin with, we determine the sum of the number of years of useful operation of the facility:

$$SNYO = 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 = 36.$$

We calculate the cumulative coefficient for the first (2016) year of useful operation:

$$CC = YN : SNYO = 8 : 36 = 0.22222.$$

So, the annual amount of depreciation of the machine for the first year of its operation will be equal to:

$$ADD (y) = AC \times CC = 112000.00 \times 0.22222 = 24888.64 \text{ UAH}$$

Hence, the monthly amount of depreciation of the machine is equal to:

$$24888,64 \text{ UAH} : 12 = 2074,05 \text{ UAH}$$

Similar calculations are carried out in subsequent years of useful operation of the machine.

*Production method.* This method is <sup>163</sup> considered to be one that most adequately reflects the actual physical wear and tear of the exploited fixed asset, but which, unfortunately, does not take into account moral depreciation. The calculation of the monthly amount of depreciation according to the submitted method is defined as the product of the actual monthly volume of products (works, services) and the production depreciation rate. The production depreciation rate is determined by the

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<sup>163</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

distribution of the depreciable cost by the total volume of production (works, services) which the company expects to do (perform) using the object of fixed assets.

So, the production depreciation rate is determined by the formula:

$$\text{PDR} = \text{AC} : \text{TVP}, \quad (1.9)$$

where: PDR is the production depreciation rate;

AC – the cost to be amortized;

TVP – the total volume of products (works, services) that is planned to be received for the entire useful life.

The formula for determining the monthly depreciation amount will be as follows:

$$\text{AD (m)} = \text{VP} * \text{PDR}, \quad (1.10)$$

where: AD (m) is the monthly amount of depreciation;

VP – the volume of production (works rendered, services) per month using the object of fixed assets.

Suppose that a decision was made regarding the depreciation of the purchased printing press by the production method. The productivity of the machine is 1000 parts per hour, and the maximum number of parts before the onset of its complete wear is 10, 000, 000 pcs. The production depreciation rate will be equal to:

$\text{PDR} = \text{AC} / \text{TVP} = 112000.00 \text{ UAH.} / 10000000,0 \text{ pcs.} = 0.0112 \text{ UAH.}$  Determination of the monthly amount of depreciation is carried out on the basis of data on actually made parts for the month. Suppose that in January 20\_year 150000.0 parts were made using this machine.

In this case, the monthly amount of depreciation of the machine will be:

$\text{AD} = \text{VP} * \text{PDR} = 150000.0 \times 0.0112 \text{ UAH} = 1680,00 \text{ UAH.}$

Table 1.19 presents a list of groups of fixed assets and other non-current assets and depreciation methods that can be applied to them.

Thus, the company, guided by its accounting policy, chooses

one of the methods of calculating depreciation. To account for depreciation, account 13 "Depreciation of non-current assets" is intended.

The amount of accrued depreciation is reflected on the loan of this account in correspondence with expense accounting accounts.

The debit reflects the write-off of the amount of accrued depreciation on the objects of fixed assets that are outgoing, as well as a decrease in the amount of accrued depreciation in the event of a markdown of fixed assets. The balance on this account is always credited, is made in the balance sheet asset along with the sum of the initial value of non-current assets. To the total balance sheet is added the amount of residual value, which is defined as the difference between the sum of the initial value and the amount of depreciation.<sup>164</sup>

To calculate the depreciation of non-current assets make up the "Calculation of the depreciation of fixed assets and other non-current assets using the rectilinear method" at the beginning of the year, No. 4.4 ag. The calculation is used to determine the annual and monthly amount of depreciation on January 1. Non-current assets are grouped by groups and types of objects, and also provide for the distribution of depreciation by objects of accounting. In subsequent reporting periods, the amount of depreciation of non-current assets is adjusted, taking into account changes in their composition for the previous month. At the same time, monthly make up the "Statement of depreciation of fixed assets and other non-current assets that have arrived or left" No. 4.5 ag. This information indicates the type of fixed assets for classification groups and corresponding accounts the amount of depreciation for objects received and left. For received objects, the amount of depreciation is charged to the previous month, and for retired ones – it is calculated. On the basis of the "Calculation of depreciation of fixed assets and other non-current assets" make up Statement of depreciation of fixed assets and other non-current assets for the month No. 4.6 ag. It records the distribution of depreciation by accounting

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<sup>164</sup> Hnatyshyn L.B., Prokopyshyn O.S. Organization of accounting: textbook. Lviv: "Magnolia 2006". 2014. 432 pp.

Table 1.19

**List of groups of fixed assets and other non-current assets and depreciation methods applicable to them**

Group of fixed assets and other non-current assets	Depreciation methods				
	Rectilinear	Reduction of residual value	Accelerated residual reduction Cost	Cumulative	Production
1	–	–	–	–	–
2	+	+	–	+	+
3	+	+	–	+	–
4	+	+	+	+	+
5	+	+	+	+	+
6	+	+	–	+	+
7	+	+	–	+	+
8	+	+	–	+	+
9	+	–	–	–	+
10	One method is used: 50%/50% or 100%				
11					
12	+	–	–	–	+
13	–	–	–	–	–
14	+	–	–	–	+
15	+	–	–	–	+
16	+	+	–	+	+

Source: <sup>165</sup>

objects, the accrued amount of depreciation for the past month, changes in the amount of depreciation for incoming and outgoing objects, and the amount of depreciation accrued in the current month.<sup>166</sup>

Synthetic accounting for account 13 “Depreciation of non-current assets” is kept in the Journal No. 4 A ag. Credit turnover on account 13 is transferred to the General ledger.

Summarizing the above, in Fig. 1.12 We will present the scheme of records in the accounting registers.

<sup>165</sup> Kasyanova V.O. Depreciation of fixed assets: methods of accrual and organization of accounting. *Economic Bulletin of Donbass*. 2013. No. 2 (32). pp. 117–122.

<sup>166</sup> The same source.



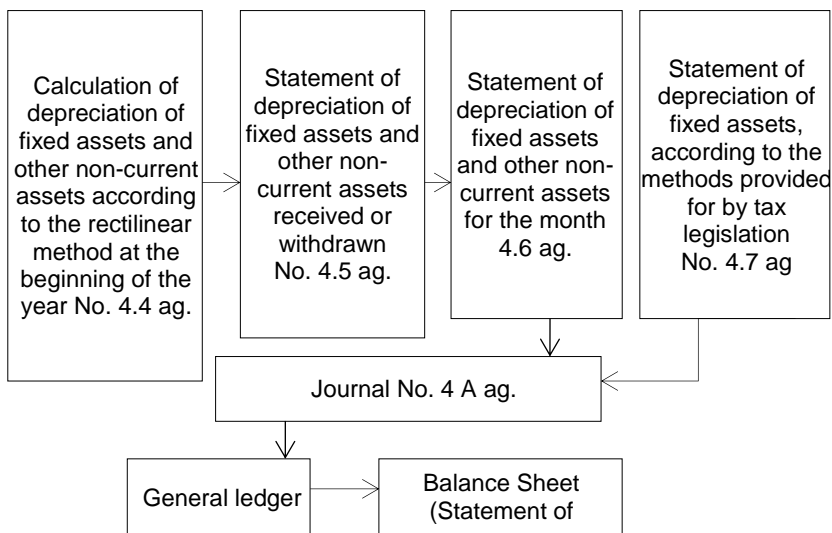


Fig. 1.12. The scheme of entry in the registers for accounting for depreciation of fixed assets and other non-current assets in  
 Source: <sup>167</sup>

Intangible assets are specific assets, the possession of which provides an opportunity for the owner to obtain specific privileges regarding the use of their value.<sup>168</sup>

The Tax Code of Ukraine states that intangible assets are only the right of ownership, despite the fact that their composition is actually much wider. In order for the interpretation of the concept of “intangible assets” to be unified and the necessary conditions for the most accurate and specific perception of it should be indicated:

- 1) maintenance at the enterprise for use, and not as investments;
- 2) determination of the term of use – more than one year;
- 3) assessment depending on the ability to generate revenue for owners;

<sup>167</sup> Lepetan I.M. Decision-making process in the field of accounting procedures of intangible assets. *Economy. Finance. Management: topical issues of science and practice*. 2016. No. 9. pp. 84–91.

<sup>168</sup> The same source.

4) gradual loss of value and its write-off in expenses by depreciation;

5) the presence of a large degree of uncertainty about the future benefits that may arise from the fact of using an intangible asset;

6) the ability to have value for multiple businesses.<sup>169</sup>

Equally important is the classification of intangible assets (Table 1.20).

*Table 1.20*

### **Classification of intangible assets**

Label	Species
According to the chart of accounts of accounting	<ul style="list-style-type: none"><li>- rights to use natural resources;</li><li>- property use rights;</li><li>- rights to commercial designations;</li><li>- rights to industrial property;</li><li>- copyright and related rights;</li><li>- other intangible assets</li></ul>
By useful life use	<ul style="list-style-type: none"><li>- functioning;</li><li>- non-functioning</li></ul>
By degree alienation	<ul style="list-style-type: none"><li>- alienated;</li><li>- inalienable</li></ul>
According to the degree of legal Security	<ul style="list-style-type: none"><li>- protected by security documents;</li><li>- not protected</li></ul>
For a werewolf	<ul style="list-style-type: none"><li>- current;</li><li>- long-term</li></ul>
According to the degree of impact on financial results	<ul style="list-style-type: none"><li>- able to directly generate revenue;</li><li>- indirectly affect financial results</li></ul>
By way of creation	<ul style="list-style-type: none"><li>- own;</li><li>- mutual;</li><li>- purchased from the side</li></ul>

The organization of accounting is carried out for each object of accounting (fixed assets, intangible assets, supplies, receivables, etc.).

In accordance with the defined components of the organization of accounting, we graphically reflect the place and content of the organization of accounting for intangible assets in the overall process of organizing accounting (Fig. 1.13).<sup>170</sup>

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<sup>169</sup> Banasko T. Problems and prospects of research of intangible assets in Ukraine. *Economist*. 2014. No. 2. pp. 30–33.

<sup>170</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of

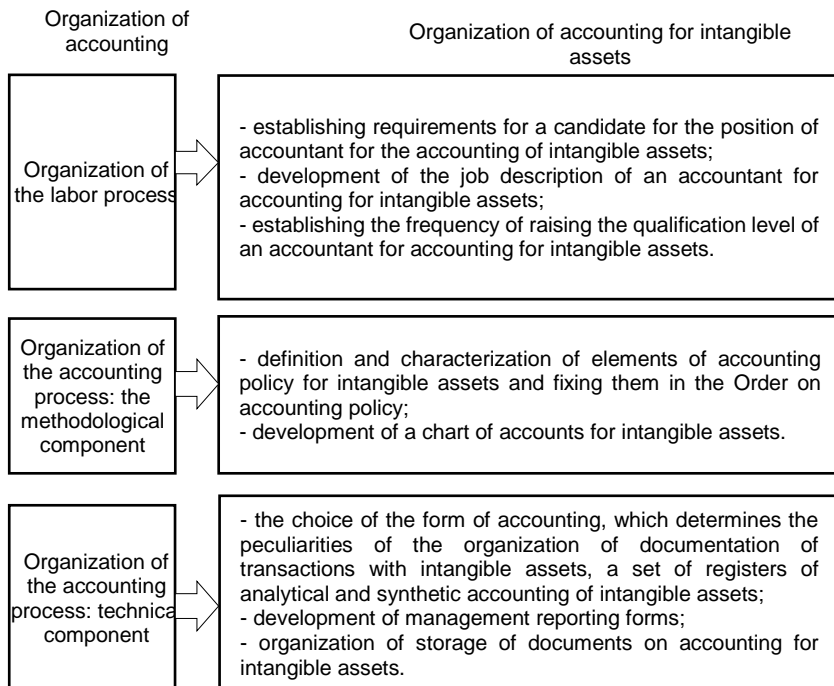


Fig. 1.13. Place and content of the organization of accounting for intangible assets in the general process of organizing accounting

Source: <sup>171</sup>

One of the important areas of organization of the labor process for accounting for intangible assets is the selection of qualified personnel. In the conditions of automation of accounting processes, the main requirements for a candidate

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accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=5339>

<sup>171</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=5339>

for the position of accountant for the accounting of intangible assets should be determined such as knowledge of the accounting software products, a confident PC user (Microsoft Word, Microsoft Excel), the ability to quickly search for information on the global Internet and process a large amount of information.<sup>172</sup>

The job description of an accountant for accounting for intangible assets should cover such main sections as general provisions, tasks and duties, rights, responsibilities, must know, qualification requirements and relationships (connections) for the position. When establishing the frequency of raising the qualification level of an accountant for accounting for intangible assets, it is necessary to take into account not only the dynamics of changes in the legislation on intangible assets, but also the pace of development and improvement of automated information systems used in accounting.<sup>173</sup>

The document defining the main aspects of the organization of the accounting process in relation to accounting objects, in particular intangible assets, is the Order on accounting policy. Accounting policy is a set of principles, methods and procedures used by an enterprise for accounting, preparation and submission of financial statements. According to the Methodological Recommendations on the accounting policy of the enterprise, it is determined that the administrative document on accounting policy contains the principles, methods and procedures used by the enterprise for accounting, preparation and submission of financial statements and in respect of which accounting regulations provide for more than one option, as well as preliminary assessments used by the enterprise to distribute expenses between the relevant ones. reporting periods. At the same time, it is impractical to include single-variate methods of assessment, accounting and procedures in such an

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<sup>172</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=5339>

<sup>173</sup> The same source.

administrative document.<sup>174,175</sup>

Elements of the accounting policy for intangible assets in accordance with the Guidelines for accounting policies are given in Table 1.21.<sup>176</sup>

*Table 1.21*

**Elements of accounting policies for intangible assets**

Accounting Policy Item	Alternatives
Depreciation method of intangible assets	When choosing a method of depreciation of an intangible asset, the conditions for obtaining future economic benefits are taken into account. If such conditions cannot be determined, then depreciation is charged using the rectilinear method.
Revaluation of intangible assets	An enterprise may revaluation at fair value at the balance sheet date of those intangible assets for which there is an active market. In case of revaluation of a separate object of an intangible asset, all other assets of the group to which this intangible asset belongs (except for those for which there is no active market) should be revalued.
The frequency of crediting the amounts of revaluation of non-current assets, including intangible, to retained earnings	Crediting to retained earnings the excess of the amounts of previous revaluations (indexations) together with the amount of utility recovery over the amount of utility reduction and previous writedowns of the residual value of previously revalued intangible assets can be carried out upon disposal of objects for the entire amount or periodically (monthly, quarterly, once a year) in an amount proportional to the accrual of depreciation.

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<sup>174</sup> On accounting and financial reporting in Ukraine: Law of Ukraine of 16.07.1999 No. 996-XIV. URL : <http://zakon.rada.gov.ua/>

<sup>175</sup> Methodical recommendations on the accounting policy of the enterprise: order of the Ministry of Finance of Ukraine dated June 27, 2013 No. 635. URL: [http://buhgalter911.com/Res/Zakoni/MetodRek/metod\\_uchet\\_polit.aspx](http://buhgalter911.com/Res/Zakoni/MetodRek/metod_uchet_polit.aspx).

<sup>176</sup> The same source.

Date of initial recognition of intangible assets and disposal group as held for sale	The date of initial recognition of intangible assets and disposal groups as held for sale may be: the date on which conditions are satisfied with respect to assets, disposal groups, if: economic benefits are expected to be obtained from their sale, and not from their use for their intended purpose; they are ready for sale in their present state; their sale is expected to be completed within a year from the date they are recognized as held for sale; the terms of their sale meet the usual conditions of sale for such assets; the implementation of their sale is highly likely, in particular, if the management of the enterprise has prepared an appropriate plan or concluded a firm contract for sale, they are actively offered on the market at a price corresponding to fair value; date of posting of assets acquired for the purpose of sale.
The frequency of the inventory	It is determined by the owner (manager) of the enterprise, except for cases when the inventory is mandatory in accordance with the law.

Source: summarized by authors based on source <sup>177</sup>

Additional elements of the accounting policy for intangible assets are also included in the Accounting Policy Order:

- the procedure for establishing and changing the useful life of intangible assets;
- the procedure for determining the liquidation value of intangible assets.<sup>178</sup>

The plan of accounts for accounting for intangible assets is developed in accordance with the objects of intangible assets used in the enterprise, taking into account the requirements of current legislation.<sup>179</sup>

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<sup>177</sup> Methodical recommendations on the accounting policy of the enterprise: order of the Ministry of Finance of Ukraine dated June 27, 2013 No. 635. URL: [http://buhgalter911.com/Res/Zakoni/MetodRek/metod\\_uchet\\_polit.aspx](http://buhgalter911.com/Res/Zakoni/MetodRek/metod_uchet_polit.aspx).

<sup>178</sup> Belozor L. V. Intangible assets as an element of accounting policy. *Formation of a market economy*. 2015. No. 33. p. 474.

<sup>179</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=5>

Table 1.22 shows subaccounts and corresponding analytical accounts to account 12 “Intangible Assets” and 19 “Goodwill”, which ensure the organization of synthetic and analytical accounting of intangible assets in the enterprise.

*Table 1.22*

**Reflection of groups of intangible assets and goodwill on synthetic and analytical accounting accounts**

	Subaccount	Analytic account name	Analytic account number
Financial accounting		Financial and management accounting	
Rights to use natural resources	121	The right to use subsoil, other resources of the natural environment	121.1
		The right to use geological and other information about the natural environment	121.2
Rights to use property	122	The right to use the land plot	122.1
		The right to use the building	122.2
		The right to rent premises	122.3
Commercial designation rights	123	The right to trademarks (marks for goods and services)	123.1
		The right to commercial (company) names	123.2
Rights to industrial property	124	The right to inventions, utility models	124.1
		The right to industrial designs	124.2
		The right to plant varieties, animal breeds	124.3
		The right to layout (topography) of integrated circuits	124.4
		The right to trade secrets, including know-how, protection from unfair competition	124.5
Copyright and related rights	125	The right to literary, artistic, musical works	125.1
		The right to data	125.2

		compilation (database)	
		The right to perform, phonograms, videograms	125.3
		The right to transmit (program) broadcasting organizations	125.4
Other intangible assets	127	The right to carry out activities the right to use economic and other privileges	127.1
			127.2
Goodwill upon acquisition	191		
Goodwill in privatization (corporations)	193		

Source: <sup>180</sup>

At enterprises, regardless of the form of ownership, all business processes are covered by documentation.<sup>181</sup>

All documents used for transactions with intangible assets can be grouped into three types:

1. Documents confirming the ownership of intellectual property (patents, certificates);
2. Documents reflecting the transfer of rights to use objects of intangible assets (license agreements);
3. Documents that characterize the movement of intangible assets in the enterprise (receipt, disposal).<sup>182</sup>

Primary documents on the accounting of intangible assets, on the basis of which business transactions are reflected in accounting, are reflected in Table 1.23.

Automation of the accounting process in modern economic conditions is an integral part of the process of improving the activities of almost all enterprises in Ukraine. That is, the main

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<sup>180</sup> Yasishena V. Certain aspects of the methodology for accounting for intangible assets. *Bulletin of Ternopil National Economic University*. 2020. Issue. 2. pp. 219–233.

<sup>181</sup> Gutsalenko L.V., Lepetan I.M. Documentation of operations with intangible assets in research farms. *Economics of the agro-industrial complex*. 2010. No. 3. pp. 36–40.

<sup>182</sup> Zhurakovska I.V. Documenting transactions with intellectual property. *Accounting and auditing*. 2008. No. 4. pp. 46–55.



Table 1.23

**Basic primary documents on accounting for intangible assets**

Form document	Document name
IA-1	The act of introducing the object of intellectual property rights
IA-2	Inventory card for accounting of intangible assets
IA-3	Act of disposal (liquidation) of an intangible asset
IA-4	Inventory description of intangible assets
—	Calculation of depreciation of intangible assets

Source: <sup>183</sup>

form of accounting in enterprises is an automated form using a specific software product.

Let's consider the organization of the accounting process for intangible assets in the conditions of automated accounting.

The organization of documenting the accounting of intangible assets is carried out only with the help of specialized program documents.

The list of intangible assets, both commissioned and not yet taken into account, is stored in the directory "Intangible Assets". In the directory, only information about the name and tax purpose of the asset is stored, other accounting parameters are set during commissioning and are recorded in the registers of information. In addition, it provides for the storage of information about units and materially responsible persons for whom intangible assets are assigned. This information is stored in the register of information "Location of IA (accounting)".<sup>184</sup>

For registration of transactions for the acquisition of ready-to-use intangible assets, the document "Receipt of IA" is intended. To reflect the operation of registering an intangible asset (commissioning), the program uses the document "Acceptance for accounting of IA". The document for the IA

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<sup>183</sup> Cherednychenko N.O. Organization of accounting: intangible assets. URL: [http://eir.zntu.edu.ua/bitstream/123456789/998/3/Cherednichenko\\_Organiza tion\\_of\\_accounting%20.pdf](http://eir.zntu.edu.ua/bitstream/123456789/998/3/Cherednichenko_Organiza tion_of_accounting%20.pdf).

<sup>184</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=5339>

object establishes the main characteristics affecting the reflection of the object in the accounting (accounting account, depreciation account), methods and parameters for calculating depreciation, a posting pattern to reflect depreciation as part of expenses. This information is recorded in the registers of information. The document “Acceptance into account of IA” can put into operation both purchased and created intangible assets.<sup>185</sup>

To reflect the accrual of depreciation on intangible assets, the document “Depreciation” is used. After the document, you can get the report “Statement of depreciation”.

During operation, intangible assets can be moved from one division of the enterprise to another. Registration of such operations takes place with the help of the document “Movement”. For the sale of an intangible asset, the document “Liquidation of non-current assets” is used.<sup>186</sup>

For analytical and synthetic automated accounting of intangible assets the following main reports are used:

- balance sheet on the account – reflects the balances at the beginning and at the end of the period, turnovers on debit and credit accounts for a certain period;

- account analysis – allows you to get account turnover with other accounts, as well as balances at the beginning and end of the period. That is, the analysis of the account is a fragment of the General ledger, which relates to the corresponding account;

- account card – contains all the calculations on the account with specific values of the objects of analytical accounting. In addition, the report reflects the balances at the beginning and end of the period, as well as turnovers and balances after each holding.<sup>187</sup>

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<sup>185</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=5339>

<sup>186</sup> Current trends in the development of accounting, control and analysis of intangible assets: a monograph. Sumy : Yaroslavna, 2015. 208 p.

<sup>187</sup> Gurina N.V., Yushchenko S.V. Main aspects of the organization of accounting for intangible assets in modern economic conditions. *Efficient economy*. 2016. No. 12. URL:

In modern economic conditions, an important issue of organizing the accounting of intangible assets is the procedure for storing accounting documents. As practice shows, in accordance with modern economic conditions – failures in the operation of computer equipment, the spread of computer viruses, limited data storage parameters, the policy of environmental efficiency of paper use, etc. – “cloud data warehouses” are increasingly used in the activities of enterprises. “Cloud data warehouse” can be understood as an online storage in which data is stored on numerous, distributed servers on a network. Therefore, when organizing the storage of accounting documents, it is advisable to consider the possibility of using “cloud data storage”.<sup>188</sup>

### **1.3. Organization of accounting of current assets**

Supplies are assets that are held by the enterprise for further sale under the conditions of normal economic activity, are in the process of production for the purpose of further sale of the product of production, are held for consumption during production, performance of work, provision of services, as well as management of the enterprise.

Supplies are the main current asset of enterprises, a component of the production cycle. Therefore, the organization of their accounting is extremely important for all stages of the process of circulation and the needs of different users.

The necessary prerequisites for the proper organization of inventory accounting in enterprises are:

- 1) rational organization of warehousing;
- 2) proper grouping of supplies;
- 3) development of inventory consumption standards.

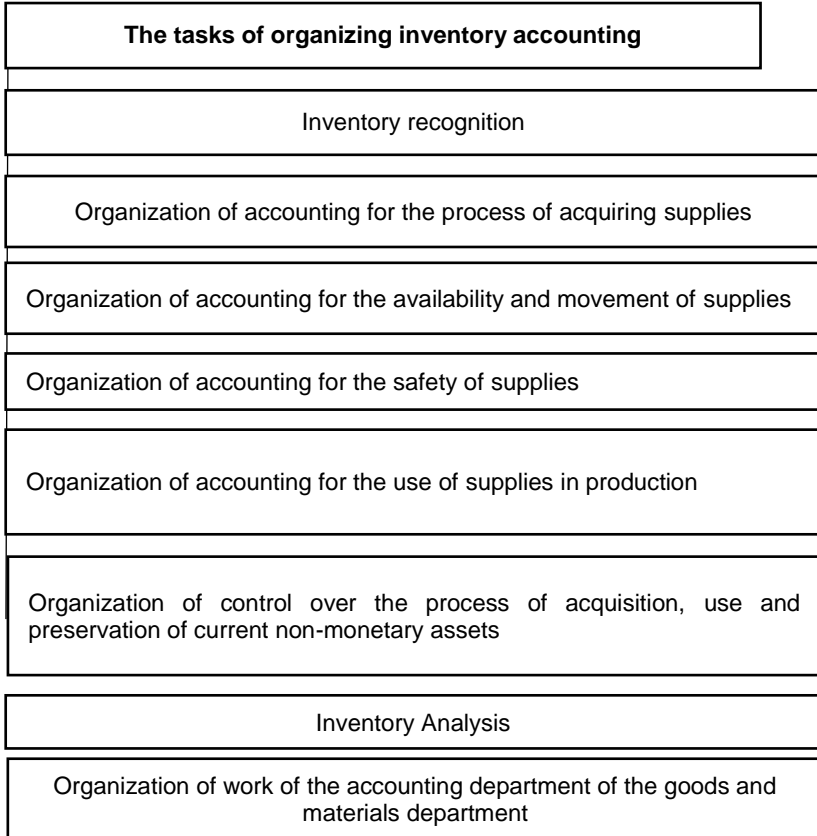
Among the main tasks of the organization of inventory accounting should be highlighted the following (Fig. 1.14).

At enterprises, it is necessary, firstly: to correctly define Supplies as an object of accounting in accordance with NR(S)A 9 “Supplies”.

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<http://www.economy.nayka.com.ua/?op=1&z=5339>

<sup>188</sup> The same source.



**Fig. 1.14. Tasks of organizing inventory accounting**  
*Source: systematized by the authors*

Supplies – assets that: are held for further sale (distribution, transfer) under the conditions of normal economic activity; are in the process of production for the purpose of further sale of the product of production; are kept for consumption during the production of products, the performance of work and the provision of services, as well as the management of the enterprise.<sup>189</sup>

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<sup>189</sup> Regulation (standard) of accounting 9 “Supplies”. Order of the Ministry of Finance of Ukraine dated 20.10.99, No. 246.

The components of supplies are:

- raw materials, basic and auxiliary materials, fuel, spare parts, semi-finished products, containers (the useful life of which is not more than one year), packaging materials, components and other material values intended for the production of products, performance of work, provision of services, maintenance of production, administrative needs and sales;

- work in progress in the form of parts, assemblies, products and unfinished technological processes that are not completed by processing and assembly. Work in progress at enterprises performing work and providing services consists of the expenses of performing unfinished works (services) for which the company has not yet recognized revenue;

- finished products manufactured at the enterprise are intended for sale and meet the technical and quality characteristics stipulated by the contract, established standards or technical conditions, etc.;

- goods in the form of material values purchased (received) and held by the enterprise for the purpose of further sale;

- low-value and wearable items used for no more than one year or a normal operating cycle if it is more than one year;

- current biological assets, if they are valued according to the National Regulation (standard) of accounting 9 "Supplies";

- agricultural products after its initial recognition;

- other current non-monetary assets.<sup>190</sup>

In order to organize inventory accounting, the administrative document – the Order on accounting policy, approved (approved) by the owner (authorized body), should determine:

- forms of primary documents used to formalize the movement of supplies, which are unforeseen by standard forms of primary accounting;

- the procedure for accounting (identified or in general) of transport and procurement expenses, the use of a separate

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<sup>190</sup> Methodological recommendations regarding the accounting policy of the enterprise: Order of the Ministry of Finance of Ukraine dated June 27, 2013 No. 635. URL: [http://minfin.kmu.gov.ua/control/uk/publish/article?art\\_id=382876&cat\\_id=293536](http://minfin.kmu.gov.ua/control/uk/publish/article?art_id=382876&cat_id=293536)

subaccount of accounting for transport and procurement expenses;

- method for assessing the disposal of supplies;
- the frequency of determining the weighted average cost of a unit of supplies.<sup>191</sup>

At the legislative level, it is established that the issue of formation and approval of accounting policies falls within the competence of the enterprise itself. At the same time, the basic principles of accounting and financial reporting should be observed. One of the main requirements in the formation of the methodological component of the accounting policy is the use of alternative options with NR(S)A.

The basis for the formation of accounting policies for Supplies are NR(S)A 9 “Supplies” and Guidelines for inventory accounting. Thus, the main provisions that need to be covered in the Order on Accounting Policy are presented in Table 1.24.

In addition, there are a number of provisions, the presence of which is mandatory in the formation of accounting policies for the needs of accounting in terms of supplies, namely:

- working plan of accounts, which contains synthetic and analytical accounts, for the formation of an accounting system in order to reflect timely and complete information in accounting and reporting;
- forms of primary accounting documents used to reflect the facts of economic activity, for which standard forms of documents are not provided, as well as forms of documents for internal accounting reporting;
- rules of document circulation and technology of processing accounting information;
- selection of the method of inventory valuation;
- organization of analytical accounting of the movement of inventory;
- determination of those responsible for maintaining primary accounting in warehouses (storerooms);
- approval of positions responsible for receiving and releasing supplies;

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<sup>191</sup> The same source.

Table 1.24

**Elements of accounting policies in terms of inventory**

Name	Accounting options for choosing an enterprise	Regulatory document
Inventory Unit	– name; – homogeneous group (type)	NR(S)A 9 “Supplies”
Methods for assessing Supplies at their disposal	– identified cost; – weighted average cost; – FIFO; – regulatory expenses; – sale prices	NR(S)A 9 “Supplies”
Method of accounting for transport procurement expenses	– direct inclusion of transport and procurement expenses in the initial cost of a unit of purchased Supplies (for homogeneous Supplies); – by average percentage (when summarizing the amount of transport and procurement expenses on a separate subaccount with their subsequent distribution)	NR(S)A 9 “Supplies”
Purpose and conditions of use of Supplies	Independently installed by the enterprise	Guidelines for inventory accounting
Distribution base of transport procurement expenses, which are directly included in the initial value of Supplies	by quantitative criterion: – weight; – volume; – number of seats; – Units; by cost criterion: – inventory unit	Guidelines for inventory accounting
The frequency of determining the weighted average cost of a unit of Supplies	Independently installed by the enterprise	Guidelines for inventory accounting

Source: <sup>192</sup>

- formation of the composition of the inventory commission and the establishment of the timing of the inventory;
- internal control system.<sup>193</sup>

<sup>192</sup> Koval L.V. Accounting policy regarding Supplies. *Economics. Finance. Management: topical issues of science and practice*. 2018. No. 1. pp. 101–110.

<sup>193</sup> Novodvorskaya V.V. Organization of inventory accounting and their

Accounting for inventories is organized by the name (types) of raw materials and materials, and within each type – by sections, types, groups, grades and individual names, that is, by separate nomenclature numbers. For each name, variety, size of materials, a permanent cipher is fixed, which must be affixed on all documents related to the accounting of materials. This cipher is also used in analytical accounting. In accordance with the Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, approved by the Order of the Ministry of Finance of 30.11.99, No. 291, the 2 nd class of the Chart of Accounts, which has the appropriate name: “Supplies”, is intended for inventory accounting. The accounts of this class combine information on the presence and movement of objects of labor belonging to the enterprise, which are intended for processing, processing, use in production and for economic needs, as well as the means of labor that the company includes in low-value and wearable items.<sup>194, 195</sup>

Accounts of synthetic inventory accounting in accordance with the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations of Ukraine are grouped in Table 1.25.

To obtain detailed information necessary for inventory management according to their individual types and processes, analytical accounting is organized. The detailing of analytical accounting is due, firstly, to the presence of a large number of warehouses for their storage; secondly, their considerable nomenclature; thirdly, the complex organizational and production structures of the enterprise, etc.

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reflection in the accounting policy of the enterprise. *Global and national problems of the economy*. 2016. Issue. 13. pp. 592–595.

<sup>194</sup> Palchuk O.V. Problems of formation of accounting policy of production Supplies of machine-building enterprises. *Scientific works of Kirovohrad National Technical University. Economic Sciences*. 2014. Issue. 25. pp. 426–434.

<sup>195</sup> The instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations was approved by the order of the Ministry of Finance of Ukraine dated 30.11.99, No. 291, as amended. URL: <http://zakon4.rada.gov.ua>.



Table 1.25

**Synthetic inventory accounts in accordance with the  
Accounting Chart of Accounts**

Account	Appointment
20 "Production supplies"	Generalization of information on the availability and movement of supplies of raw materials and materials (including raw materials and materials that are on the road and in processing), building materials, spare parts, agricultural materials, fuel, containers and packaging materials, waste of the main production.
21 "Current biological assets"	Generalization of information on the availability and movement of current biological assets of animal husbandry, in particular animals that are in cultivation and fattening, poultry, animals, rabbits, bee families, as well as livestock rejected from the main herd and sold without regard to fattening, animals accepted from the population for sale, and crop production, which are estimated at fair value, in particular grain, industrial, vegetable and other crops, etc.
22 "Low-value and wearable items"	Generalization of information on the presence and movement of low-value and wearable items owned by the enterprise and included in Supplies
23 "Manufacturing"	Generalization of information on the expenses of the main and auxiliary production, production defects.
24 "Shortage in production"	Generalization of information about losses from defects in production.
25 "Semi-finished products"	Generalization of information on the presence and movement of semi-finished products of own production.
26 "Finished products"	Generalization of information on the availability and movement of finished products of the enterprise.
27 "Products of agricultural production"	Generalization of information on the availability and movement of agricultural products.
28 "Goods"	Accounting for the movement of inventory received by the company for the purpose of sale. The account is used mainly by sales, trade and procurement enterprises, as well as restaurant enterprises.

Source: <sup>196</sup>

<sup>196</sup> Vizirenko S.V., Reznichenko O.O. Organization of accounting for current non-monetary assets. *Sustainable economic development*. 2018. No. 4(41). pp. 144–152.

Each company opens analytical accounts depending on the need for quantities necessary for production management. The most typical sections of analytics can be the following: warehouses, storerooms, financially responsible persons, inventory groups, activities, etc. To reflect the availability and movement of inventories, the following balance sheet and off-balance sheet accounts are intended (Fig. 1.15).

When releasing supplies for production, production, sale and other disposals, the assessment should be carried out according to one of the following methods:

- identified cost of the corresponding unit of supplies;
- weighted average cost;
- the cost of the first in time of receipt of supplies (FIFO);
- regulatory expenses;
- sales prices.

For all accounting units of current non-monetary assets that have the same purpose and the same conditions of use, only one of the above methods applies.<sup>197</sup>

Supplies that are dispensed and that do not replace each other must be valued at an identified cost.

The receipt of Supplies at the enterprise occurs in different ways. However, in any case, such assets are credited to the balance sheet at their original value in accordance with NR(S)A 9 "Supplies".

This is the rule for all current non-monetary assets. Therefore, it is necessary to determine how the initial cost will be formed in each case (Table 1.26).

The assessment at the weighted average cost should be carried out for each unit of Supplies by dividing the total value of the balance of such assets at the beginning of the reporting month and the value of the Supplies received in the reporting month by the total number of Supplies at the beginning of the reporting month and the assets received in the reporting month.

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<sup>197</sup> Vizirenko S.V., Reznichenko O.O. Organization of accounting for current non-monetary assets. *Sustainable economic development*. 2018. No. 4(41). pp. 144–152.

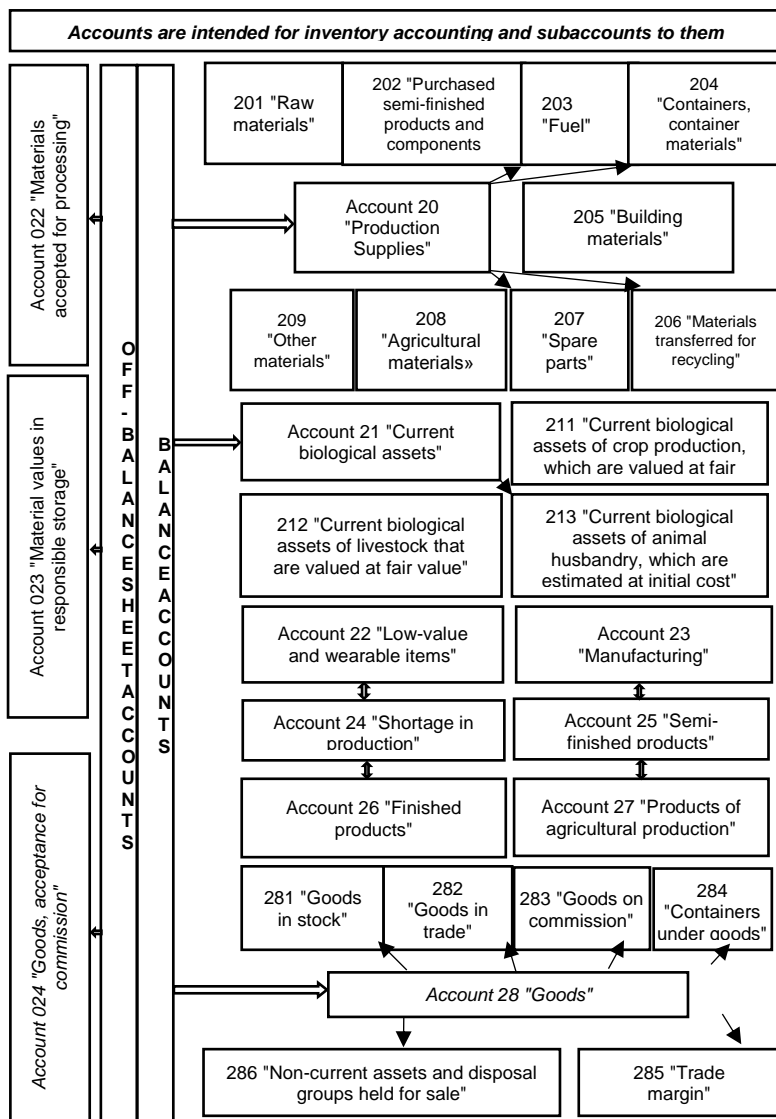


Fig. 1.15. Balance sheet and off-balance sheet accounts of inventory accounting

Source: <sup>198</sup>

<sup>198</sup> Vizirenko S.V., Reznichenko O.O. Organization of accounting for current

Table 1.26

**Formation of the initial value of Supplies**

Way to purchase Supplies	The procedure for the formation of the initial cost	Regulatory document
Purchased for a fee	<p>- amounts paid in accordance with the contract to the supplier (seller), minus indirect taxes; - the amount of import duty; - the amount of indirect taxes in connection with the acquisition of supplies that are not reimbursed to the enterprise (institution); - transport and procurement expenses (expenses for stockpiling, payment of tariffs (freight) for loading and transportation of supplies by all types of transport to the place of their use, including the cost of insuring the risks of transporting supplies). The amount of transportation and procurement expenses, summarized on a separate subaccount of inventory accounting accounts, is monthly distributed between the amount of the balance of supplies at the end of the reporting month and the amount retired supplies (used, sold, transferred free of charge, etc.) for the reporting month. The amount of transportation and procurement expenses, which refers to retired supplies, is defined as the product of the average percentage of freight and procurement expenses and the value of retired supplies, with it reflected in the same accounting accounts, in correspondence with which the disposal of these</p>	NR(S)A 9 "Supplies", Guidelines for accounting of supplies

non-monetary assets. *Sustainable economic development*. 2018. No. 4(41). pp. 144–152.

	<p>supplies is reflected. The average percentage of transport and procurement expenses is determined by dividing the amount of balances of transport procurement expenses at the beginning of the reporting month and transport procurement expenses for the reporting month by the amount of the balance of supplies at the beginning of the month and supplies received for the reporting month; - other expenses that are directly related to the acquisition of supplies and bringing them to a state in which they are suitable for use for the intended purposes. Such expenses, in particular, include direct material expenses, direct labor expenses, other direct expenses of the enterprise (institution) for the refinement and improvement of the qualitative technical characteristics of supplies.</p>	
Made on their own	<p>Their production cost is recognized, which is determined by the Regulation (standard) of accounting 16 "Expenses".</p>	<p>p. 10 NR(S)A9 "Supplies", Methodical recommendations on inventory accounting No. 2, paragraph 2.7</p>
Contributed to the authorized capital	<p>Their fair value agreed by the founders (participants) of the enterprise is recognized, taking into account the expenses provided for in paragraph 9 of NR(S)A 9 "Supplies".</p>	<p>p. 11 NR(S)A 9 "Supplies", Guidelines for Inventory Accounting No. 2, paragraph 2.9</p>
Received by the company free of charge	<p>Their fair value is recognized, taking into account the expenses provided for in paragraph 9 of NR(S)A 9 "Supplies".</p>	<p>p. 12 NR(S)A 9 "Supplies", Guidelines for accounting of Supplies No. 2, paragraph 2.10</p>
As a result of the exchange for	<p>Equal to the book value of the transferred supplies. If the book</p>	<p>p. 13 NR(S)A9 "Supplies",</p>

such Supplies	value of the transferred Supplies exceeds their fair value, then the initial value of the Supplies received is their fair value. The difference between the book and fair value of the transferred supplies is included in the expenses of the reporting period.	Methodical recommendations on inventory accounting No. 2, paragraph 2.11
As a result of the exchange for non-similar Supplies	The fair value of the inventory received is recognized.	p. 13 NR(S)A 9 "Supplies", Methodical recommendations on inventory accounting No. 2, paragraph 2.11
Received in the process of repair and improvement (modernization, completion, reconstruction, etc., liquidation of fixed assets)	They are accounted for at the net cost of sale or in the assessment of their possible use, which can be determined on the basis of the value of such supplies if they are on the balance sheet of the enterprise, taking into account the degree of their suitability for operation. The cost of repairing the received material values that will be used as spare parts, the expenses directly related to bringing these Supplies to a state in which they are suitable for use for the intended purposes (the cost of processing and improving the quality and technical characteristics of Supplies), are included in their initial cost.	Methodical recommendations on inventory accounting No. 2, paragraph 2.12
From rejected products and reverse waste products, liquidation of fixed assets	It is determined by the net cost of sale, if such Supplies are intended for sale, or in assessing their possible use.	Methodical recommendations on inventory accounting No. 2, paragraph 2.13

Source: <sup>199</sup>

<sup>199</sup> Vizirenko S.V., Reznichenko O.O. Organization of accounting for current non-monetary assets. *Sustainable economic development*. 2018. No. 4(41). pp. 144–152.

Evaluation of each inventory disposal transaction can be carried out at the weighted average cost by dividing the total value of such Supplies on the date of operation by the total number of Supplies on the date of operation.

Inventory valuation using the FIFO method should be based on the assumption that these assets are used in the sequence in which they came to the enterprise (reflected in accounting), that is, the Supplies that are first released into production (sale and other disposals) are estimated at the cost of the first in terms of receipt.

Assessment of regulatory expenses should be carried out according to the norms of expenses per unit of production (works, services), which are established by the enterprise, taking into account the normal levels of use of current non-monetary assets, labor, production capacity and current prices. To ensure maximum approximation of regulatory expenses to the actual norms of expenses and prices should be regularly checked and revised in the regulatory framework. Evaluation of products at regulatory expenses is adjusted to the actual production cost.<sup>200</sup>

Valuation at sales prices should be based on the use by retailers of the average percentage of trade margin of goods. This method can be used by enterprises that have a significant and variable range of goods with approximately the same level of trade margin. The cost of goods sold is defined as the difference between the sale (retail) value of goods sold and the amount of the trade margin on these goods. The amount of the trade margin on goods sold is defined as the product of the sale (retail) value of goods sold and the average percentage of the trade margin. The average percentage of the trade margin is determined by dividing the amount of the balance of trade margins at the beginning of the reporting month and trade margins in the sale value of the goods received in the reporting month by the amount of the sale (retail) value of the balance of goods at the beginning of the reporting month and the sale

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<sup>200</sup> Vizirenko S.V., Reznichenko O.O. Organization of accounting for current non-monetary assets. *Sustainable economic development*. 2018. No. 4(41). pp. 144–152.

(retail) value received in the reporting month of the goods.<sup>201</sup>

An important role in the organization of inventory accounting is played by document management, which should minimize the cost of working time for processing documents and thereby increase the efficiency of accounting. The system of effective document circulation at the enterprise should be organized at the stage of primary, current and final inventory accounting.<sup>202</sup>

At the stage of primary inventory accounting, it is necessary to organize the accounting process in such a way as to minimize the cost of funds and time to perform work and speed up the movement of primary documents on inventory accounting to the accounting department of the enterprise (Fig. 1.16).

A set of measures to create an effective document management system is developed by the accounting department of the enterprise. Organizational measures are coordinated with the management of the enterprise and, if necessary, with the heads of other services (warehouse manager, shop managers). Technical measures are agreed with the chief accountant. The results of organizational (list of works, responsible performers) and technical measures (operograms of the movement of primary documents on inventory accounting) are approved by the head of the enterprise.<sup>203</sup>

Current inventory accounting is characterized by the processing of a large amount of data on all its operations, therefore, to create an effective workflow, it is necessary to develop and implement certain measures (Fig. 1.17).

The final stage of the accounting process in the enterprise is the final accounting.

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<sup>201</sup> Methodological recommendations regarding the accounting policy of the enterprise: Order of the Ministry of Finance of Ukraine dated June 27, 2013 No. 635. URL: [http://minfin.kmu.gov.ua/control/uk/publish/article?art\\_id=382876&cat\\_id=293536](http://minfin.kmu.gov.ua/control/uk/publish/article?art_id=382876&cat_id=293536)

<sup>202</sup> Natalia Burdyug. The role of workflow in creating an effective inventory accounting system. Economic analysis. 2010. Issue 6. pp. 39–42.

<sup>203</sup> The same source.



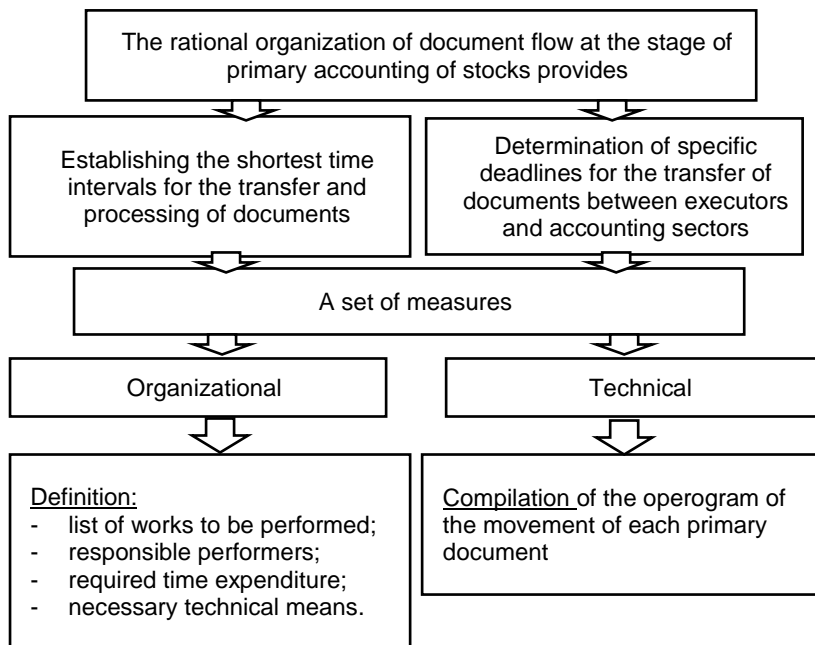


Fig. 1.16. Scheme of organization of effective workflow at the stage of primary inventory accounting

Source: <sup>204</sup>

Effective organization of workflow at the stage of final inventory accounting should ensure not only saving time and money for reporting, but also its correct preparation and provision in a timely manner, for which the following scheme is used (Fig. 1.18).

A characteristic feature of the final accounting is the preparation and provision of various forms of reporting to internal and external users. To compile some forms, coordinated work of several divisions of the enterprise is required, for which each interested employee is provided with an extract from the workflow schedule.

<sup>204</sup> Natalia Burdyug. The role of workflow in creating an effective inventory accounting system. Economic analysis. 2010. Issue 6. pp. 39–42.

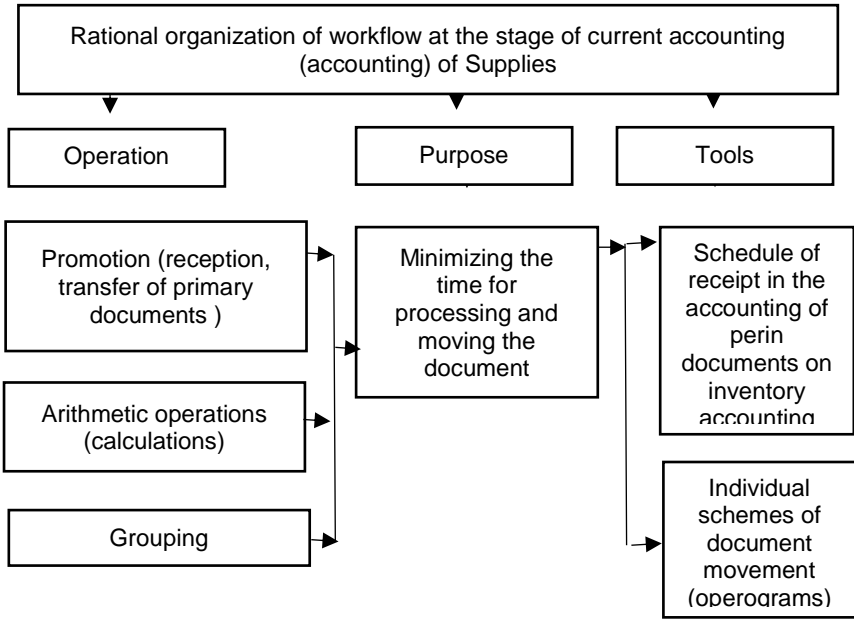


Fig. 1.17. Scheme of organization of effective workflow at the stage of current inventory accounting

Source: <sup>205</sup>

The statement indicates the documents or reports that need to be prepared, the terms of preparation and to which units they need to be transferred.<sup>206</sup>

At the stage of final accounting, two types of carriers are prepared: reporting forms and calculation tables.

So, when organizing inventory accounting, an important step is the order in which information is displayed on them in a journal form. At enterprises, to account for the expenses of activity and reflect credit turnover on inventory accounts, Journal 5 and 5A and the Statement of inventory movement accounting, which are later used in the formation of financial statements, are used (Fig. 1.19).

<sup>205</sup> Natalia Burdyug. The role of workflow in creating an effective inventory accounting system. Economic analysis. 2010. Issue 6. pp. 39–42.

<sup>206</sup> Lishylenko O.V. Financial accounting. Textbook. 2007. 599 pp.

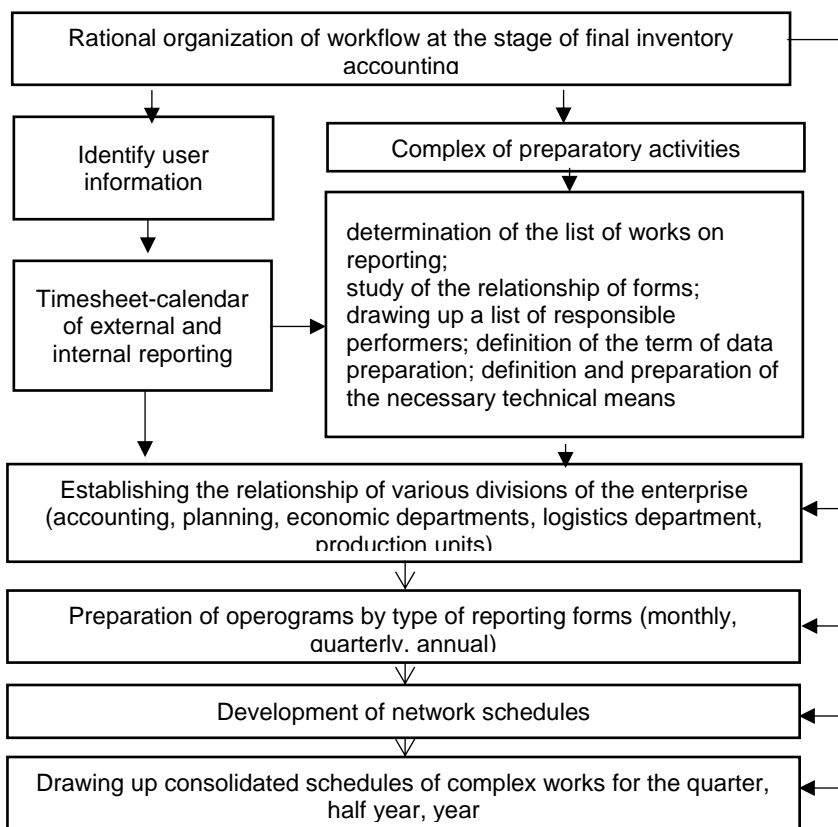


Fig. 1.18 Organization of effective workflow at the stage of final inventory accounting

The indicators of these journals are used in the preparation of the report on financial results. Statement 5.1 of analytical inventory accounting is intended for accounting of inventories in the context of synthetic accounts or subaccounts and is conducted at the centers of responsibility, materially responsible persons, storage sites and cost directions. Entries in Statement 5.1 are made on the basis of primary documents or summary information, which summarizes data on receipts to warehouses or shops of production Supplies and their disposal from the relevant storage places for the reporting period.

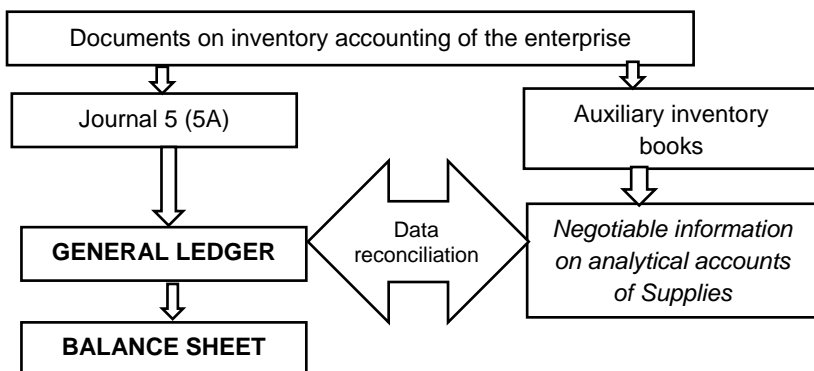


Fig. 1.19. Scheme of entry in inventory accounting registers using the journal form of accounting

The financial statements should contain all the information on business transactions related to the availability and movement of Supplies that can influence the decisions that are made on its basis, which is ensured through the principle of full coverage. The data for filling in the Journal 5 (5A) are formed as follows (Fig. 1.20).<sup>207</sup>

At the stage of using material resources, the analytical information flow must objectively disclose the amount of material expenses (for productive expenses, returnable waste, losses and shortages), which at the same time determines the choice of the optimal assessment of the write-off of material resources for the cost of manufactured products.<sup>208</sup>

The tasks facing the organization of inventory accounting should be solved on the basis of creating complete and high-quality information about the object and close interaction with such functions in the enterprise as planning, control, regulation, analysis. The optimal organization of information flows, reflecting the movement of material raw materials is shown in

<sup>207</sup> Hamaidyuk O. If Supplies become fixed assets. *Balance*. 2007. No. 21. pp. 46–49.

<sup>208</sup> Sukov G. S. Solving the problems of inventory accounting. *Bulletin of Zhytomyr State Technological University. Series: Economic Sciences*. 2013. No. 2(32). pp. 187–195.

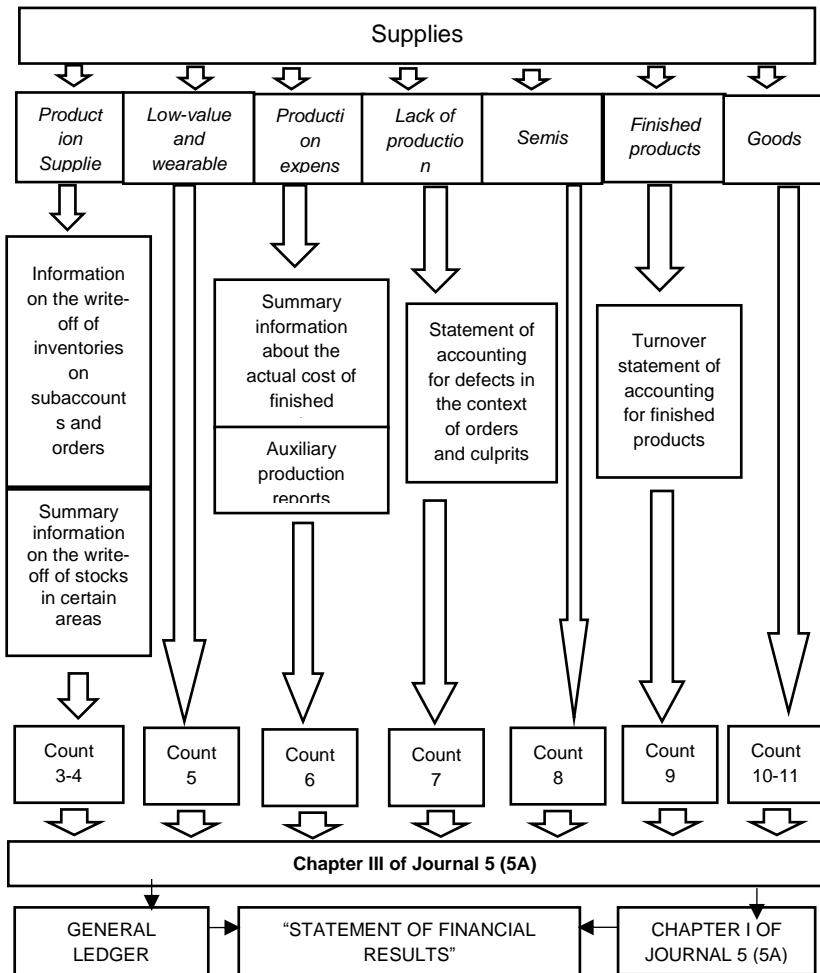


Fig. 1.20. The procedure for generating data to fill in the Journal 5 (5A)

Fig. 1.21.<sup>209</sup>

The main criteria for effective workflow at all stages of inventory accounting are as follows:

<sup>209</sup> Sook L.K. Financial Accounting. Training. manual. K. : Knowledge. 2012. 647 pp.

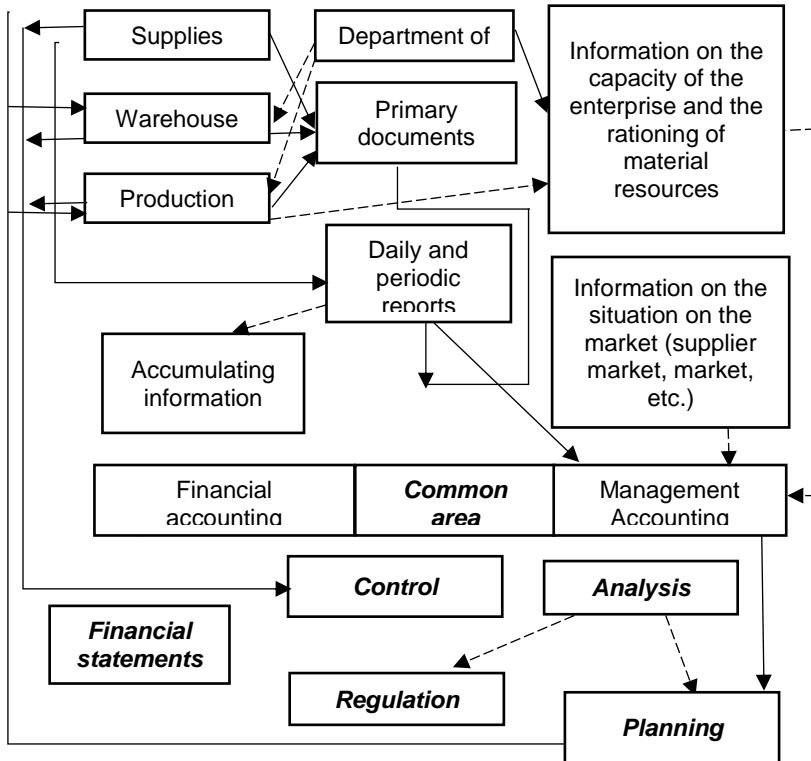


Fig. 1.21. Organization of information flows about material resources

- 1) the document must pass through the optimal number of performers and departments that are users of the relevant information or process the document;
- 2) the term of occurrence of the document in each subsection should be minimal;
- 3) document flow must be rational, that is, the stages of work and performers should not be repeated;
- 4) document flow should simplify accounting work, ensure the possibility of its automation.

The movement of documents should be organized in such a

way as to strengthen the control function of accounting.<sup>210</sup>

For each enterprise, biological assets are their own unique accounting object, and the efficiency of their use affects the growth of agricultural products.

According to NR(S)A 30 “Biological assets” – a biological asset is an animal or plant that, in the process of biological transformations, is capable of producing agricultural products and / or additional biological assets, as well as bringing other economic benefits.<sup>211</sup>

In international accounting practice, the essence of this asset is more concise, IAS 41 “Agriculture” refers to them as an animal or plant that is characterized by biological transformations – these are processes of growth, degeneration, production and reproduction that cause qualitative and quantitative changes in biological assets.<sup>212</sup>

At the same time, the conditions for their recognition and accounting are spelled out in detail, namely:

- gaining control over the asset or related future economic benefits;
- the ability to reliably evaluate it.

For domestic enterprises, these criteria are enshrined in the Methodological Recommendations for accounting of biological assets (Fig. 1.22).<sup>213</sup>

Depending on the industry, biological assets are divided into: biological assets of crop production and animal husbandry.

Current biological assets under NR(S)A 30 are biological assets that are capable of bringing agricultural products and/or additional biological assets, otherwise bringing economic

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<sup>210</sup> Natalia Burdyug. The role of workflow in creating an effective inventory accounting system. Economic analysis. 2010. Issue 6. pp. 39–42.

<sup>211</sup> National Regulation (standard) of accounting 30 “Biological assets” Approved by the order of the Ministry of Finance of Ukraine of December 5, 2005 No. 790 URL: <http://zakon1.rada.gov.ua/laws/show/z1456-05>

<sup>212</sup> IAS 41 Agriculture. URL: <https://zakon.help/article/mizhnarodnii-standart-buhgalterskogoobliku-41/>

<sup>213</sup> Guidelines for accounting of biological assets. URL: <https://zakon.help/article/metodichni-rekomendacii-z-buhgalterskogo-obliku-bioaktiviv>

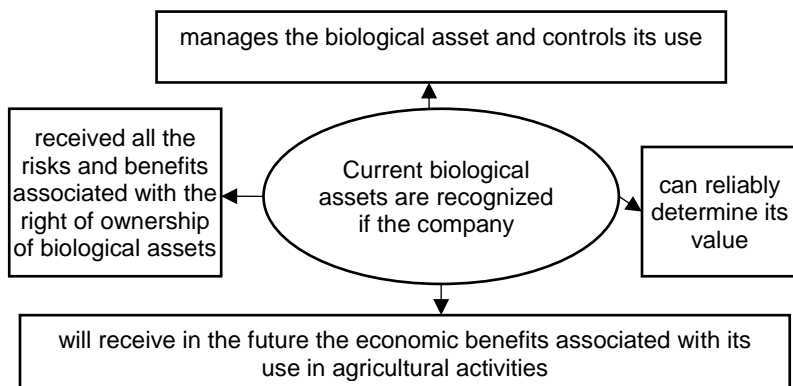


Fig. 1.22. Characteristic features of current biological assets

Source:<sup>214</sup>

benefits over a period not exceeding 12 months.<sup>215</sup>

These are plants that are less than 12 months old, or the use of which for more than one year is not economically feasible, in particular winter and spring crops, annual grasses, as well as animals for cultivation and fattening.

The main elements to be disclosed in the Accounting Policy Order, taking into account the requirements of NR(S)A 30, Guidelines for accounting of biological assets and accounting policies, in relation to current biological assets are shown in Fig. 1.23.

For the proper organization of accounting for current biological assets, it is first of all important to clearly define the objects of accounting. The object of accounting is a separate type of biological assets or their group.

Thus, the objects of current biological assets of crop production include different types of plants (cereals, fodder, oilseeds, vegetables, potatoes, etc.) or homogeneous groups of

<sup>214</sup> Kravchenko O.V., Zatochnaya D.V. Features of accounting for current biological assets. Eastern Europe: Economics, Business and Management. 2018. Issue 6 (17). pp. 685–688.

<sup>215</sup> National Regulation (standard) of accounting 30 “Biological assets” Approved by the order of the Ministry of Finance of Ukraine of December 5, 2005 No. 790 URL: <http://zakon1.rada.gov.ua/laws/show/z1456-05>



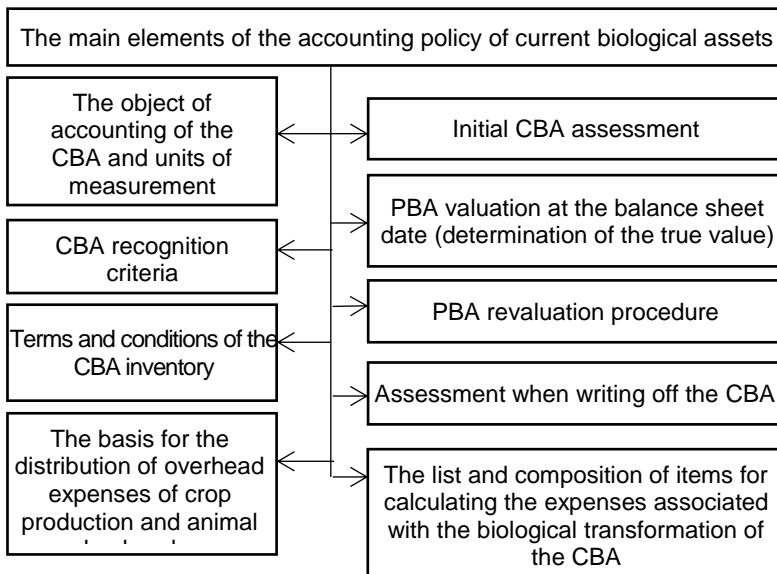


Fig. 1.23. The main elements of the accounting policy of current biological assets

biological assets, which consist of plant subspecies (winter and spring grains, stone fruit, pome, nut, etc.), or individual crops (barley, corn, sunflower, etc.), rather than their growing products, which are agricultural products and are considered a separate asset.

Objects in animal husbandry can be species of animals (young cattle, pigs, sheep goats in cultivation or fattening, poultry, animals, families of bees, etc.) or homogeneous groups of biological assets (young animals in cultivation, fattening animals), which consist of certain sex and age (technological) groups (Fig. 1.24).

The concept of additional biological assets is very closely related to the concept of current biological assets.

Additional biological assets are biological assets that are obtained in the process of biological transformations (offspring, new swarms of bees, material for breeding fish, etc.), which from the moment of birth are recognized as current biological assets. The initial recognition of additional biological assets is

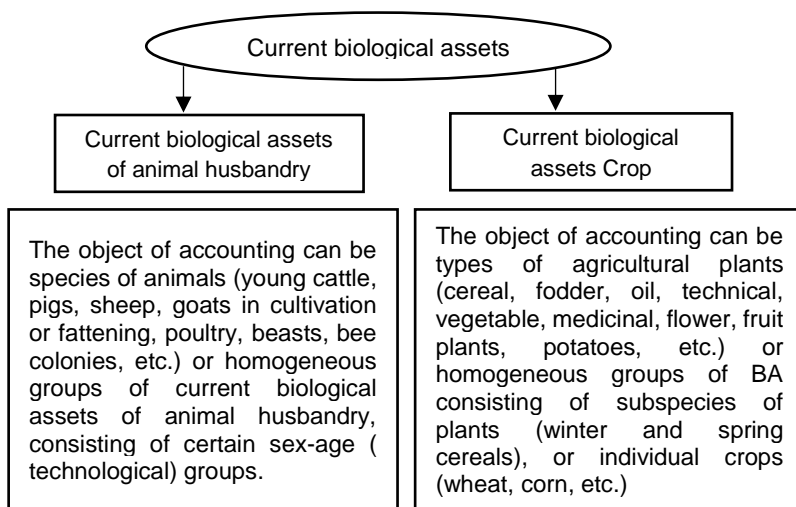


Fig. 1.24. The main types of current biological assets  
 Source: <sup>216</sup>

reflected in the reporting period in which they are separated from the biological asset. <sup>217</sup>

The general criteria for recognizing a current biological asset are defined in the asset accounting guidelines, which state that a current biological asset is recognized as an asset if:

- the company transferred the risks and benefits associated with the ownership of the current biological asset;
- the company manages the current biological asset and controls its use;
- there is confidence that the company will receive in the future economic benefits associated with its use in agricultural activities;
- the value of the current biological asset can be reliably determined.

<sup>216</sup> Ovcharova N.V. Features of the assessment and accounting of current biological assets. URL: <https://essuir.sumdu.edu.ua/bitstream/download/123456789/83309/1/>

<sup>217</sup> Methodical recommendations on accounting of biological assets approved by the order of the Ministry of Finance of Ukraine dated 29.12.2006 No. 1315 URL: [http://www.minfin.gov.ua/control/uk/publish/article?art\\_id=293605&cat\\_id=293536](http://www.minfin.gov.ua/control/uk/publish/article?art_id=293605&cat_id=293536).

The main and most acute in the organization of accounting for current biological assets is the issue of valuation. The valuation of objects of biological assets is one of the most important prerequisites for the formation of reliable and relevant information by the accounting system necessary for the management of agricultural enterprises.

The procedure for assessing current biological assets upon their recognition is given (Fig. 1.25).

NR(S)A 30 “Biological Assets” stipulates that the fair value of a biological asset is based on the prices of the active market.

In the presence of several active markets for biological assets and agricultural products, their valuation is based on data from the market in which the company intends to sell biological assets and/or agricultural products.<sup>218</sup>

Taking into account these restrictions on the determination of fair value in accordance with the requirements of the existing regulatory framework, there are the following types of estimates of current biological assets at the balance sheet date (Fig. 1.26).

The methodological recommendations on accounting of biological assets determine that an enterprise can independently determine the methodology for analyzing information sources in order to establish a fair value of biological assets and/or agricultural products.<sup>219</sup>

The main source of information on prices in active markets is price monitoring data posted on the websites of state agricultural regulatory authorities and leading consulting firms that research agricultural markets in Ukraine, data on average prices in the region for certain types of agricultural products are provided by the regional statistics department, etc.

An important aspect in the organization of accounting for current biological assets is their documentation. Depending on the method of receipt and the type of current biological assets,

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<sup>218</sup> Mossakovsky V. Accounting for biological assets. *Accounting and auditing*. 2007. No. 6. pp. 17–24.

<sup>219</sup> Methodical recommendations on accounting of biological assets approved by the order of the Ministry of Finance of Ukraine dated 29.12.2006 No. 1315 URL: [http://www.minfin.gov.ua/control/uk/publish/article?art\\_id=293605&cat\\_id=29](http://www.minfin.gov.ua/control/uk/publish/article?art_id=293605&cat_id=29)

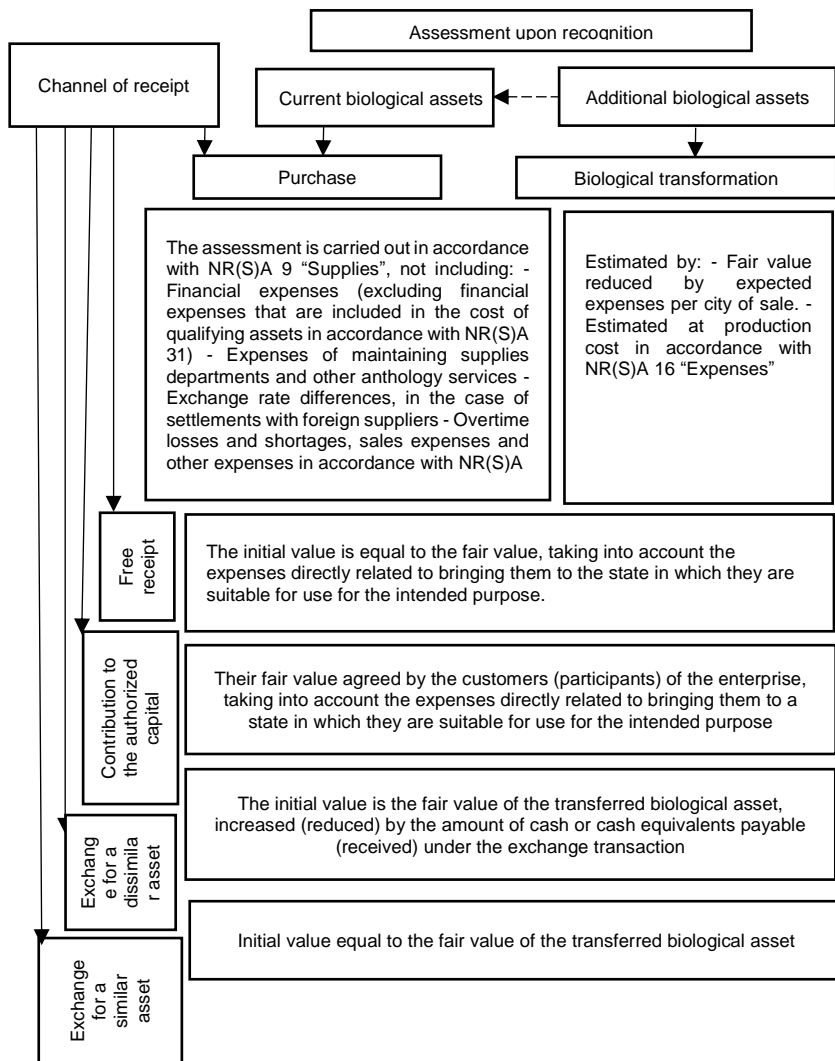


Fig. 1.25. Valuation of current biological assets in recognition  
 Source: <sup>220</sup>

<sup>220</sup> Ovcharova N.V. Features of the assessment and accounting of current biological assets. URL: <https://essuir.sumdu.edu.ua/bitstream/download/123456789/83309/1/>

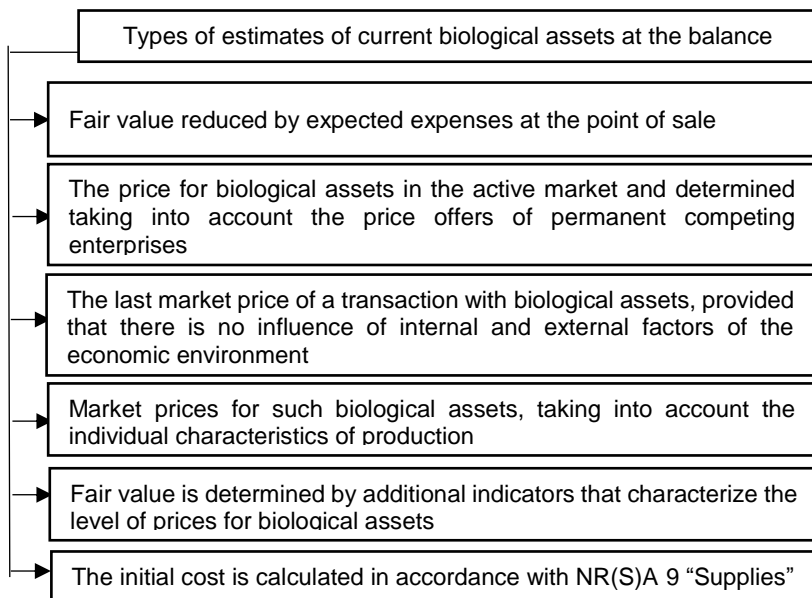


Fig. 1.26. Types of estimates of current biological assets at the balance sheet date

Source: <sup>221</sup>

the relevant primary documents are used in the accounting, which serve as the basis for accounting for operations on the receipt, movement and disposal of current biological assets.

The procedure for documenting business transactions for accounting of current biological assets is regulated by the order of the Ministry of Agrarian Policy of Ukraine "Methodical recommendations for the use of specialized forms of primary documents for accounting for long-term and current biological assets in agricultural enterprises" No. 73 dated 21.02.2008. p. and other regulatory documents (Fig. 1.27).

Certain features of the assessment of current biological assets affect the order of their synthetic accounting.

<sup>221</sup> Regulation (standard) of accounting 30 "Biological assets" Approved by the order of the Ministry of Finance of Ukraine of December 5, 2005 No. 790 URL: <http://zakon1.rada.gov.ua/laws/show/z1456-05>

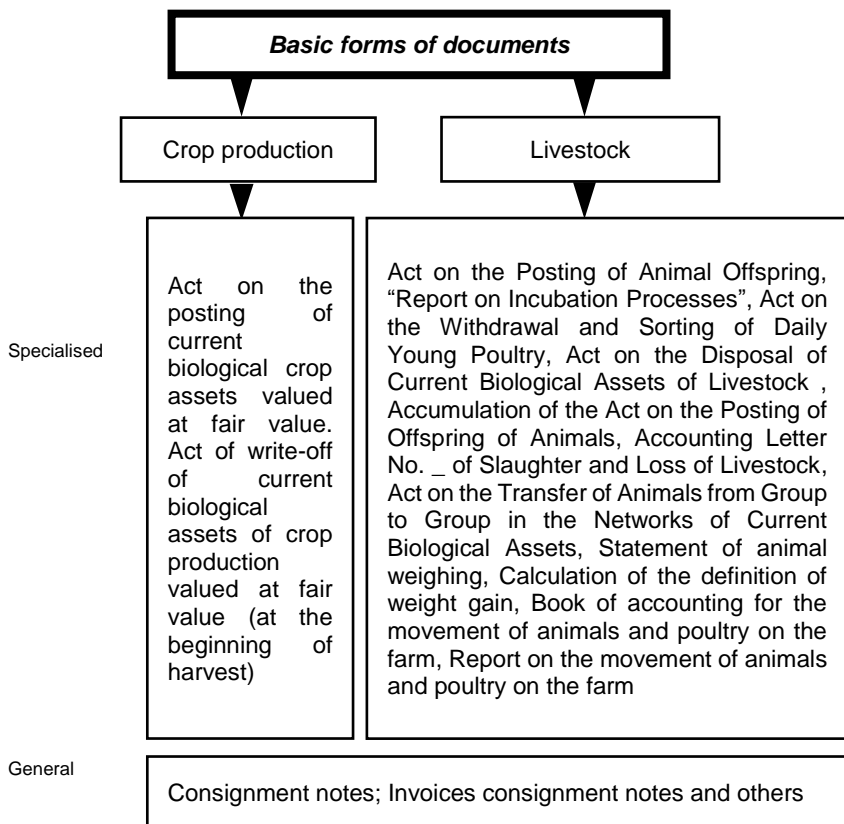


Fig. 1.27. The main forms of documents used in the accounting of current biological assets

Source: <sup>222</sup>

In accordance with the instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, the generalization of information on the presence and movement of current biological assets of animal husbandry and crop production is carried out on account 21 "Current biological assets".

<sup>222</sup> Ovcharova N.V. Features of the assessment and accounting of current biological assets. URL: <https://essuir.sumdu.edu.ua/bitstream/download/123456789/83309/1/>

According to the characteristic features, three groups of current biological assets are distinguished, to which subaccounts are opened (Fig. 1.28).

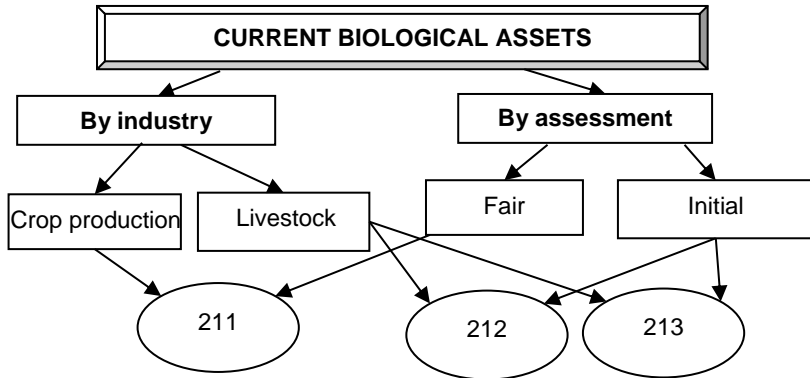


Fig. 1.28. Structure of main accounts of current biological assets

Source: <sup>223</sup>

The debit of the account reflects the receipt (posting of grain, technical, vegetable and other crops, etc., offspring of young productive and working livestock, rejected from the main herd of livestock for further fattening or sale without fattening) of current biological assets; increase in live weight of young animals, on credit – disposal of current biological assets due to transfer for processing, sale, free transfer, etc.<sup>224</sup>

Account 21 “Current Biological Assets” has the following subaccounts: (Table 1.27).

<sup>223</sup> Koval O.V. Accounting for biological assets. Monograph. Vinnitsa : Publishing house "TH "Edelweiss and K". 2013. 196 p.

<sup>224</sup> Instructions on the application of the Plan of Accounts for accounting of assets, capital, liabilities and economic Approved by the order of the Ministry of Finance of Ukraine dated 30.11.1999. No. 291 URL: <http://zakon5.rada.gov.ua/laws/show/z0893-99>

Table 1.27

**Characteristics of subaccounts to account 21 "Current biological assets"**

No.	Number and name of the subaccount	Characteristic
1	211 "Current biological assets of crop production, which are valued at fair value"	Records are kept of the availability and movement of current biological crop assets, which are estimated at fair value reduced by the expected expenses at the point of sale. Analytical accounting is conducted by types (crops) of current biological assets of crop production (crops of grain, technical, vegetable, etc.)
2	212 "Current biological assets of livestock that are valued at fair value"	Records are kept of the availability and movement of current biological assets of animal husbandry, which are estimated at fair value, reduced by the expected expenses at the point of sale. Analytical accounting is carried out by types (groups) of current biological assets of animal husbandry (young animals in cultivation, fattening animals, poultry, animals, rabbits, bee families, adult cattle culled from the main herd, etc.)
3	213 "Current biological assets of animal husbandry, which are estimated at their original cost"	Records of the presence and movement of current biological assets of animal husbandry are kept, the fair value of which cannot be reliably determined, as a result of which their assessment was carried out in accordance with NR(S)A 9 "Supplies". Analytical accounting is conducted by types (groups) of current biological acts

Synthetic accounting of biological assets on account 21 is kept in the journal-order No. 8 ag. on the credit of account 21 and information of analytical accounting 8.2. Entries on the loan of account 21 are made on the basis of primary documents.

At the end of the month, the credit turnover on account 21 from the journal-order is transferred to the General ledger. Biological assets and, in particular, animals that do not meet the criteria established for long-term biological assets are subject to accounting as part of current biological assets as Supplies.<sup>225</sup>

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<sup>225</sup> Vaskov N.V. New procedure for organizing the accounting of current biological assets of animal husbandry. *Economic Sciences*. 2009. No. 7. URL: <http://www.rusnauka.com/>



In the economic activity of the enterprise, cash is an important component of current assets that form the material base of the production process and significantly affect it.

Cash is the most liquid amount of assets, which provides the company with the greatest degree of liquidation and, accordingly, freedom of disposal. Cash is the beginning and end of the gospodarsko-financial cycle. In the course of the enterprise's activity, the groshove koshty in the circle of the world enter other acquires. In accordance with the National Regulation (standard) of accounting 1 "General requirements for financial reporting", cash (money) – cash, funds in bank accounts and demand deposits.<sup>226</sup>

The procedure for making payments in cash is strictly regulated by the current legislation and is carried out in cash and non-cash forms.

The characteristics of the components of funds are defined in legislative documents.

Cash is considered banknotes of the national currency of Ukraine (banknotes and coins, including exchangeable, circulating, commemorative coins, which are means of payment).<sup>227</sup>

Cash equivalents include short-term, highly liquid investments that are freely converted into known amounts of cash and which have little risk of change in value.<sup>228</sup>

Funds in bank accounts – funds held in bank accounts that can be used for current operations.<sup>229</sup>

Deposit funds are funds in cash or non-cash form, in the currency of Ukraine or in foreign currency, which are placed by

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<sup>226</sup> National Regulation (Standard) of Accounting 1 "General Requirements for Financial Reporting": Order of the Ministry of Finance of Ukraine No. 73 of 07.02.2013 URL: <http://zakon5.rada.gov.ua/laws/show/z0336-13>

<sup>227</sup> Regulations on cash transactions in the national currency in Ukraine: Resolution of the Board of the National Bank of Ukraine dated 29.12.2017 No. 148. URL: <https://zakon.rada.gov.ua/laws/show/v0148500-17>

<sup>228</sup> National Regulation (Standard) of Accounting 1 "General Requirements for Financial Reporting": Order of the Ministry of Finance of Ukraine dated 07.02.2013 No. 73. URL: <http://zakon3.rada.gov.ua/laws/show/z0336-13>

<sup>229</sup> Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations: order of the Ministry of Finance of Ukraine dated 30.11.1999 No. 291. URL: <https://zakon.rada.gov.ua/laws/show/z0893-99>

customers on their registered accounts in the bank on a contractual basis for a specified period of storage or without specifying such a period and are payable to the depositor in accordance with the legislation of Ukraine and the terms of the agreement.<sup>230</sup>

Cash on the way determines the amount of money deposited in the cash desks of banks, savings banks or post offices for their subsequent crediting to settlement or other accounts of the enterprise.

Monetary documents are documents that are at the cash desk of the enterprise: stamp duty stamps, postage stamps, paid travel documents, paid vouchers to sanatoriums, boarding houses, rest homes.

Electronic money is defined as a unit of value that is stored on an electronic device, is accepted as a means of payment by persons other than the person issuing it, and is a monetary liability of that person, performed in cash or non-cash form. The subject of accounting for funds is a system of accounting and documentation of their movement on objects. Taking into account the composition of funds, the objects are: cash on hand, funds in accounts in banking institutions, cash equivalents, deposits, cash on the way, cash documents, electronic money.<sup>231</sup>

Having determined the subject and object, we substantiate the main tasks of the organization of cash accounting:

- objective and truthful reflection of information in primary documents;
- reliable determination of accounting objects;
- reliable presentation of information on accounting accounts;
- timely inventory and display of its results in the system of accounts;
- organization of internal control over compliance with cash

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<sup>230</sup> On banks and banking: Law of Ukraine of 07.12. 2000 No. 2121- III. URL: <https://zakon.rada.gov.ua/laws/show/2121-14>

<sup>231</sup> Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations: order of the Ministry of Finance of Ukraine dated 30.11.1999 No. 291. URL: <https://zakon.rada.gov.ua/laws/show/z0893-99>

management discipline;

- organization of internal control of settlements on accountable amounts;
- reliable reflection of cash balances and information about their movement in the statements.<sup>232</sup>

These tasks are solved using the elements of the accounting method: documentation, valuation, accounts and double entry, inventory, balance sheet (reporting) (Fig. 1.29).

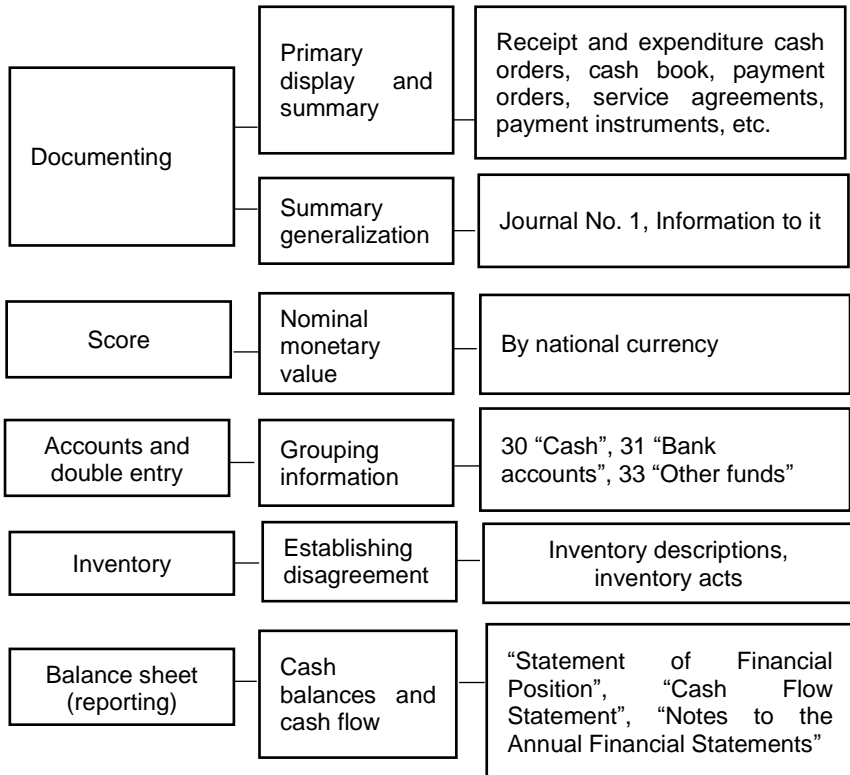


Fig. 1.29. An integrated approach to cash accounting  
Source:<sup>233</sup>

<sup>232</sup> Podolyanchuk O.A. Cash in the system of accounting accounts. Economics. Finance. Management: topical issues of science and practice. 2019. No. 3. pp. 144–155.

<sup>233</sup> The same source.

To organize cash payments, any company must have its own cash desk.

Cash desk – premises or place of cash payments, as well as acceptance, issuance, storage of cash, other valuables, cash documents. The use of cash desks for settlement transactions and their documentation (operations for posting and issuing cash) is the responsibility of the cashier of the enterprise. In addition to these duties, the cashier of the enterprise bears full material responsibility for all values that are in the cash desk of the enterprise, and is responsible for their safety.<sup>234</sup>

Compliance with cash discipline at any enterprise, establishing the proper procedure for organizing the work of the cash desk, as well as carrying out cash transactions at enterprises are regulated by the Regulations on cash transactions in the national currency of Ukraine, approved by the Resolution of the NBU Board No. 637 dated 15.12.2004. The main directions of cash transactions are shown in Fig. 1.30.<sup>235</sup>

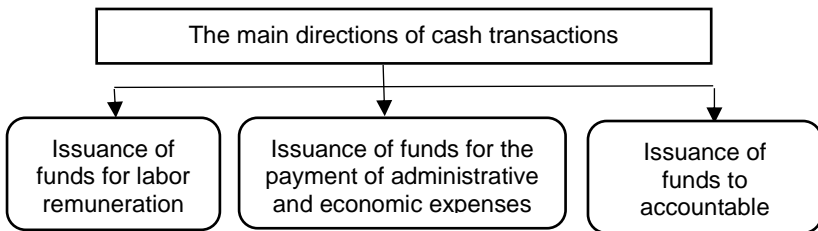


Fig. 1.30. Directions of cash transactions

Source:<sup>236</sup>

To strengthen control over the observance of cash discipline in the enterprise, the manager must necessarily sign an order on cash discipline, which belongs to the internal documents of

<sup>234</sup> Gaidukevich L. Organization of cash work of the enterprise and its divisions. Accountant and law. URL: [http://bz.ligazakon.ua/ua/magazine\\_article/BZ007717](http://bz.ligazakon.ua/ua/magazine_article/BZ007717).

<sup>235</sup> Regulations on cash transactions in the national currency in Ukraine: Resolution of the Board of the National Bank of Ukraine dated 29.12.2017 No. 148. URL: <https://zakon.rada.gov.ua/laws/show/v0148500-17>

<sup>236</sup> Zhyvko Z.V. Control and auditing activities. Training. posibn. 2012. 496 pp.

the enterprise and is concluded at his own discretion. In turn, among the external documents it is necessary to single out the element of compliance with the cash desk limit, which is carried out by the enterprise independently on the basis of the calculation of the establishment of the cash balance on hand in accordance with Regulation No. 637. According to this provision, the cash balance limit on hand is the maximum amount of cash that can remain on hand outside of working hours. Nevertheless, for each individual enterprise, the chief accountant makes a separate calculation.<sup>237</sup>

Today, there are various ways to determine the cash limit of an enterprise, the following methods deserve attention:

1) the forecast limit (as a rule, it is set by new enterprises or those who previously worked only with non-cash payments and now begin to carry out cash transactions, but only the first three months of work);

2) limit based on the calculation of the average daily cash flow;

3) limit based on the calculation of the average daily cash withdrawal;

4) limit on the period of harvesting and processing of agricultural products (domestic producers and processors of agricultural products of the enterprise may set (revise) the cash desk limit for the period of harvesting and processing according to the actual indicators of cash turnover for any three months of the season of production (processing) of agricultural products of the previous year). Among the considered methods for determining the cash limit, the most common are two methods: based on the calculation of the average daily cash flow to the cash desk and based on the calculation of the average daily cash withdrawal from the cash desk. These two calculation methods are shown in Fig. 1.31.

According to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, enterprises can keep on hand not only cash, but also securities, monetary documents, which

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<sup>237</sup> Regulations on cash transactions in the national currency in Ukraine: Resolution of the Board of the National Bank of Ukraine dated 29.12.2017 No. 148. URL: <https://zakon.rada.gov.ua/laws/show/v0148500-17>

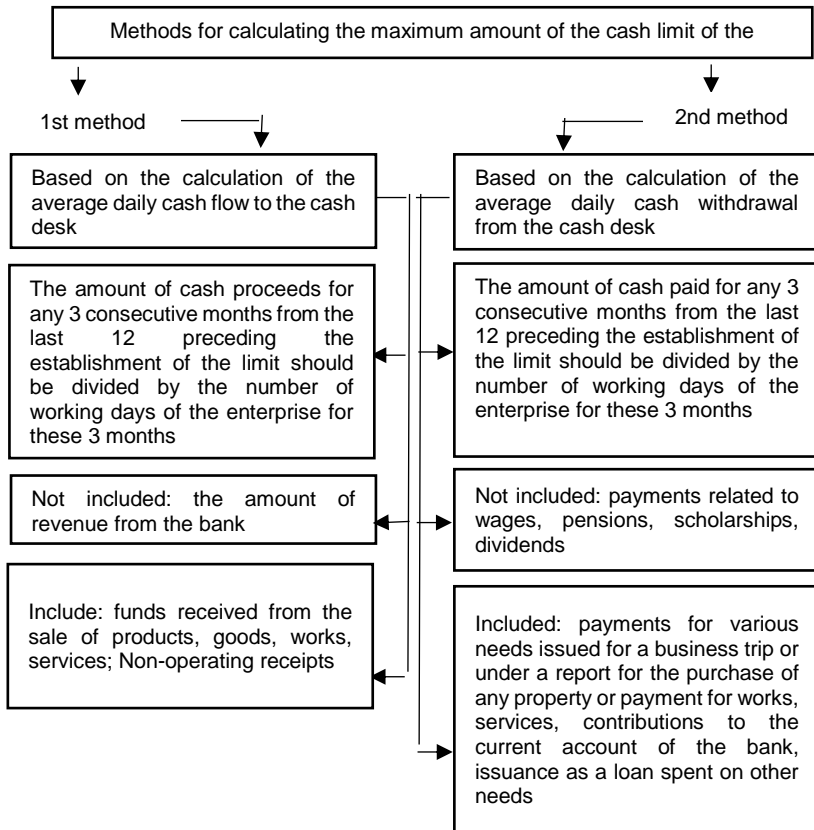


Fig. 1.31. Methods for calculating the maximum amount of the cash desk limit of the enterprise

Source: <sup>238</sup>

are forms of strict accountability. These include employment record books and deposit sheets for them, receipts of road sheets of vehicles, forms of powers of attorney, etc. Storage of cash and other valuables that do not belong to this enterprise on hand is prohibited.

<sup>238</sup> Shepel I.V. Actual issues of organization of cash transactions and compliance with cash discipline at the enterprise. *Bulletin of the Berdyansk University of Management and Business*. 2017. No. 2 (38). pp. 77–86.

Cash payments carried out directly at the cash desk are made out by profitable and expenditure cash orders (Fig. 1.32).

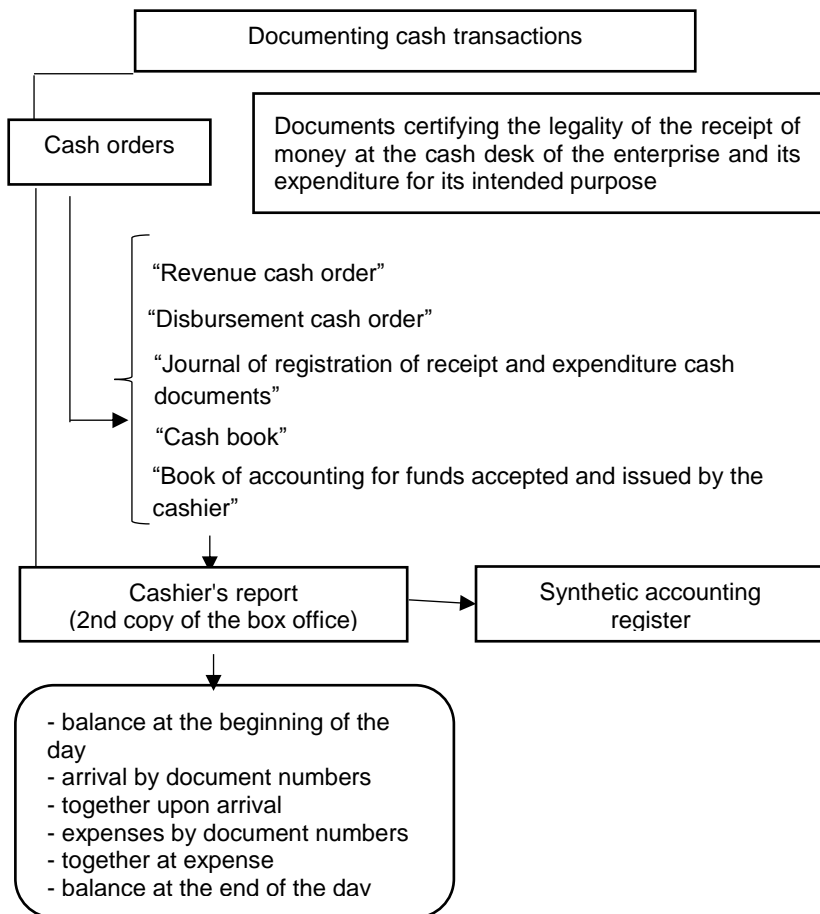


Fig. 1.32. Documenting cash transactions

Source: <sup>239</sup>

Acceptance and issuance of cash on cash orders can be carried out only on the day of their preparation. If the cash

<sup>239</sup> Shepel I.V. Actual issues of organization of cash transactions and compliance with cash discipline at the enterprise. *Bulletin of the Berdyansk University of Management and Business*. 2017. No. 2 (38). pp. 77–86.

documents were not paid on that day, they are canceled and the next time the accountant writes out a new document.

The receipt cash order is signed by the chief accountant or an authorized person, the cashier and certified by the seal of the enterprise. The tear-off sheet of the receipt cash order is a receipt for it and is issued to the person who deposited the funds in the cash desk (or to the bank statement), and the attached documents are repaid with the stamp "Paid" indicating the date.

The expenditure cash order is signed by the head, chief accountant and cashier. The person who received the funds personally indicates the date, amount and signs the expenditure cash order.

Cash orders must be filled out by the accountant clearly, clearly and no corrections are allowed. In addition, they are registered by an accountant in the journal of registration of receipt and expenditure cash orders.

The cashier keeps records of cash transactions in the cash book. It must be pierced, numbered and sealed. The number of sheets in the book is confirmed by the signatures of the head and chief accountant.

Entries in the cash book are made on the basis of revenue and expenditure cash orders in 2 copies. The first copy remains in the cash book, and the second is the cashier's report and, together with the primary documents, is submitted to the accounting department. Every day at the end of the working day, the cashier calculates the amount of money received and issued for the day and displays the balance at the end of the day.<sup>240</sup>

To account for the availability and movement of funds, the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations at the cash desk of the enterprise use account 30 "Cash", 33 "Other funds" with the corresponding subaccounts (Table 1.28).

The debit of accounts reflects the receipt of money in the cash desk of the enterprise, on the loan – the payment of funds from the cash desk of the enterprise. Generalization of

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<sup>240</sup> Sand S. Cash documents: how long to store. *All about accounting*. 2011. No. 23. pp. 25–26.



Table 1.28

**Accounts for summarizing information on the availability and movement of funds on hand**

Synthetic accounts	Subrachunki
Account 30 "Cash"	301 "Cash in national currency" 302 "Cash in foreign currency"
Account 33 "Other funds"	331 "Monetary documents in national currency" 332 "Monetary documents in foreign currency" 333 "Cash on the way in national currency" 334 "Cash on the road in foreign currency"

information on the availability and movement of funds in the national currency at the cash desk of the enterprise is carried out in Journal 1 and information 1.1. to this Journal.

Journal 1 is used to display the turnover on the credit of accounts 30 "Cash".

The information for Journal 1 reflects the debit turnovers of accounts 30, 33. Entries in Journal 1 and information are made on the basis of primary and consolidated accounting documents (cashier's reports and revenue and expenditure cash orders attached to them) on the corresponding corresponding accounts in chronological order by calculations for 2 – 3 days. Balances on the relevant accounts in the statements at the end of the month are established between the amount of the balance at the beginning of the month and the debit turnover on the account for the current month and the amount of credit turnover for the month. Balance of accounts is checked according to the relevant documents – the cashier's reports.

The movement of funds that occurs in the process of activity can be carried out both in cash and in non-cash forms.

In accordance with Art. 341 of the Commercial Code of Ukraine, in case of non-cash payments, all payments are made through bank institutions by transferring the amounts due from the payer's account to the recipient's account or by offsetting mutual liabilities and monetary claims.<sup>241</sup>

The above concept of non-cash payments is given in more detail in the Instruction on non-cash payments in Ukraine in

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<sup>241</sup> Commercial Code of Ukraine dated 16.01.2003 No. 436-IV. URL: <http://zakon2.rada.gov.ua/laws/show/436-15>

national currency, according to which non-cash payments are the transfer of a certain amount of funds from the accounts of payers to the accounts of recipients of funds, as well as the transfer by banks on behalf of enterprises and individuals of funds deposited by them in cash at the bank's cash desk to the accounts of recipients of funds.<sup>242</sup>

These calculations are carried out by the bank on the basis of settlement documents on paper or in electronic form. A bank in which accounts of enterprises, organizations, institutions of all forms of ownership, individuals – business entities, banks and their institutions, individuals are opened, and which carries out any of the operations for them on a contractual basis – is a service bank.

Non-cash payments play a huge role in the implementation of transactions to fulfill liabilities between the subjects of economic and financial relations.

The organization of non-cash payments is carried out on the basis of the following principles:

1) funds of all economic entities (both own and attracted) are subject to mandatory storage on current and other accounts in banks;<sup>243</sup>

2) non-cash payments between enterprises, individuals are carried out through banks by transferring funds from the current accounts of payers to the current accounts of the recipients of funds;

3) settlements with suppliers for inventory and services are carried out, as a rule, after the provision of services; in practice, advance payment is also used;

4) banks write off funds from accounts only by orders of their owners, except in cases in which indisputable write-off (collection) of funds is provided for by the law of Ukraine, as well

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<sup>242</sup> Instruction on non-cash payments in Ukraine in national currency: Resolution of the National Bank of Ukraine dated 21.01.2004 No. 22 URL: <http://zakon2.rada.gov.ua/laws/show/z0377-04>.

<sup>243</sup> The procedure for adoption by the State Financial Monitoring Service of Ukraine of the decision to suspend financial transactions: Order of the Ministry of Finance of Ukraine dated December 28, 2015 No. 1200. URL: <http://zakon1.rada.gov.ua/laws/show/z0123-16>

as by a court decision, arbitration court and executive orders of notaries;

5) orders of enterprises for the transfer of funds are accepted by banks for execution only within the limits of the available funds in their accounts or at the expense of a payment loan of the bank;

6) funds are credited to the recipient's account after the corresponding amounts of money are debited from the payer's accounts;

7) the bank on a contractual basis carries out settlement and cash services for its clients and executes their orders to transfer funds from accounts; all copies are certified by the signatures of the authorized employee of the bank and the person opening the account as corresponding to the original, they are kept in the case of legal registration of the account; in addition, this case includes all documents that, in accordance with the requirements of the NBU, are necessary for opening current accounts; customers are required to make copies of them, notarized by the issuing authority or by the bank employee who opens the account; all current accounts are opened by individuals who can act on their own behalf or open an account to the legal entity on whose behalf they have the authority to act;

8) enterprises independently choose the forms of payment, indicating them at the time of concluding contracts between themselves;

9) mutual claims for settlements between the payer and the recipient of funds are considered by the parties in a claim procedure without the participation of the bank.<sup>244</sup>

The organization of non-cash payments must meet specific requirements that are due to the interests of economic development.

The main one is to ensure the timely receipt by each enterprise of funds for the products or services supplied by it, which contributes to the acceleration of the circulation of working capital in the calculations.

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<sup>244</sup> Chuprina L.V., Lelyuk O.S. Problems and prospects for the development of non-cash payments in Ukraine. Accounting, analysis and audit. 2019. Issue 32. pp. 462–467.

When making non-cash payments, letter of credit, collection, bill of exchange forms of payment can be used, as well as settlements can be made by settlement checks, bank payment cards, and bank customers independently choose payment instruments (payment order, payment request, letter of credit). The form of calculation is indicated at the time of concluding contracts.

Types of bank accounts are shown in Fig. 1.33.

When carrying out settlement operations, enterprises can use settlement documents:

1. Payment orders.
2. Payment requirements-orders.
3. Checks.
4. Memorial warrant.
5. Promissory notes.
6. Payment requirements.
7. Collection orders.
8. Letter of credit.

Payment order is a settlement document that contains a written order from the payer in the bank servicing it to debit the specified amount of funds from his account and transfer it to the recipient's account.<sup>245</sup>

Payment request-order – a combined settlement document, which consists of two parts:

upper – the requirement of the supplier (recipient of funds) directly to the buyer (payer) to pay the cost of the products (works, services) supplied to him under the contract;

lower – instructing the payer to his bank to transfer from his account the amount that is affixed in the line “Amount to be paid in letters”.<sup>246</sup>

A settlement check is a document containing a written order of the owner of the check (checker) to the banking institution (issuing bank) in which there is his account to pay the check

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<sup>245</sup> Serdyuk V.N. Accounting: a textbook and practical manual. Donetsk : DonNU. 2012. p. 401.

<sup>246</sup> Pikhnyak T.A. The economic essence of non-cash payments. *Magazine “Young Scientist”*. 2014. No. 6 (09). pp. 13–15.

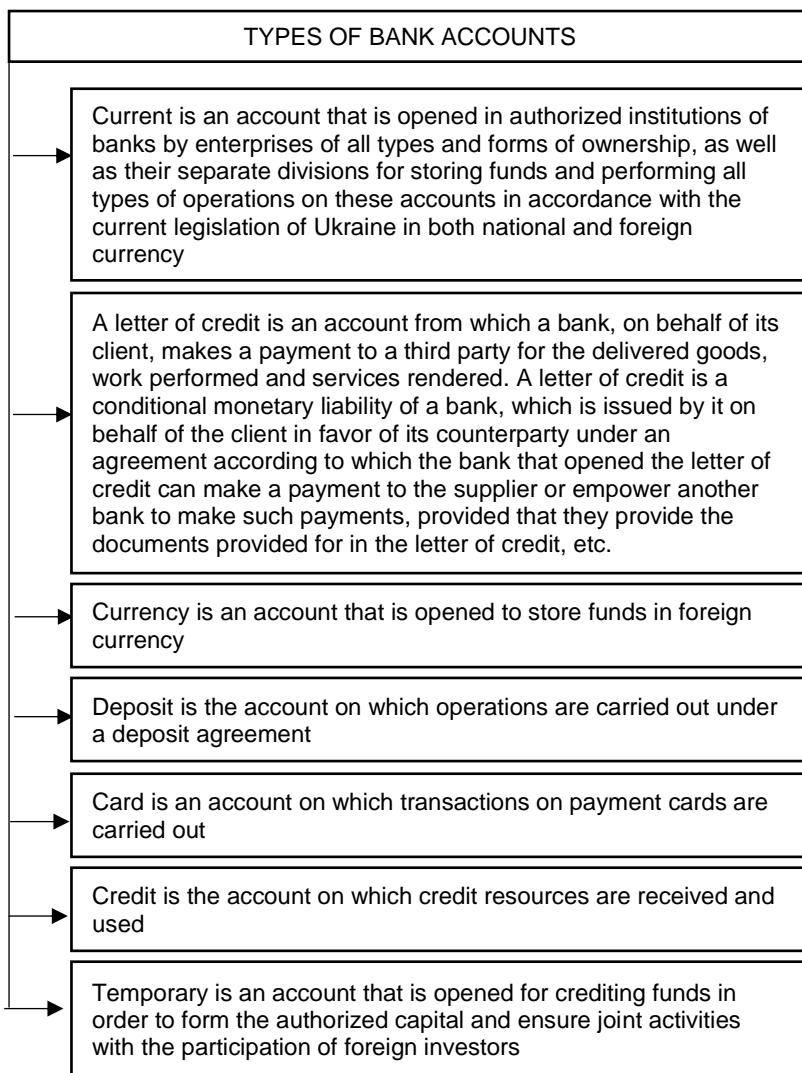


Fig. 1.33. Types of bank accounts

Source: <sup>247</sup>

<sup>247</sup> Pikhnyak T.A. The economic essence of non-cash payments. *Magazine "Young Scientist"*. 2014. No. 6 (09). pp. 13–15.

holder the amount of money specified in the check. <sup>248</sup>

Memorial order is a settlement document that is drawn up at the initiative of the bank for registration of operations on debiting funds from the payer's account and internal banking operations in accordance with the Law of Ukraine "On payment systems and transfer of funds in Ukraine" and regulatory legal acts of the National Bank of Ukraine. <sup>249</sup>

Payment requirement is a settlement document that contains the request of the supplier (recipient) to the bank servicing the payer to transfer a certain amount of funds from the payer's account to the recipient's account without the consent of the payer.

A letter of credit is a form of payment in which the issuing bank, on behalf of its client, is obliged to make a payment to a third party for the delivered goods (works, services) or to empower another (executive) bank to make this payment. <sup>250</sup>

A document confirming receipts and expenses, as well as the balance at the beginning and end of the day, is a bank statement. Periodically (usually every day), the bank issues account holders statements from a specific account with copies of settlement transactions. The statement must be submitted on the 1st day of each month. It is checked by the company in terms of compliance with the documents attached to it; In this case, it is established whether all records fall to the company that owns the account. Clients for settlements independently choose payment instruments (with the exception of a memorial order) and indicate them at the time of concluding contracts. Properly executed payment instruments are used by the bank to carry out settlement transactions (Fig. 1.34).

The development of the correct and most rational settlement policy should be carried out at each enterprise. This is one of the stages of the way to improve their funding.

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<sup>248</sup> Hamster R.L. Accounting and taxation. Textbook. Lviv: Accounting Center "Azhur". 2010. 1220 pp.

<sup>249</sup> Pikhnyak T.A. The economic essence of non-cash payments. *Magazine "Young Scientist"*. 2014. No. 6 (09). pp. 13–15.

<sup>250</sup> Shamova I.V. Monetary systems of foreign countries. Training. manual. K. : KNEU. 2011. 195 pp.

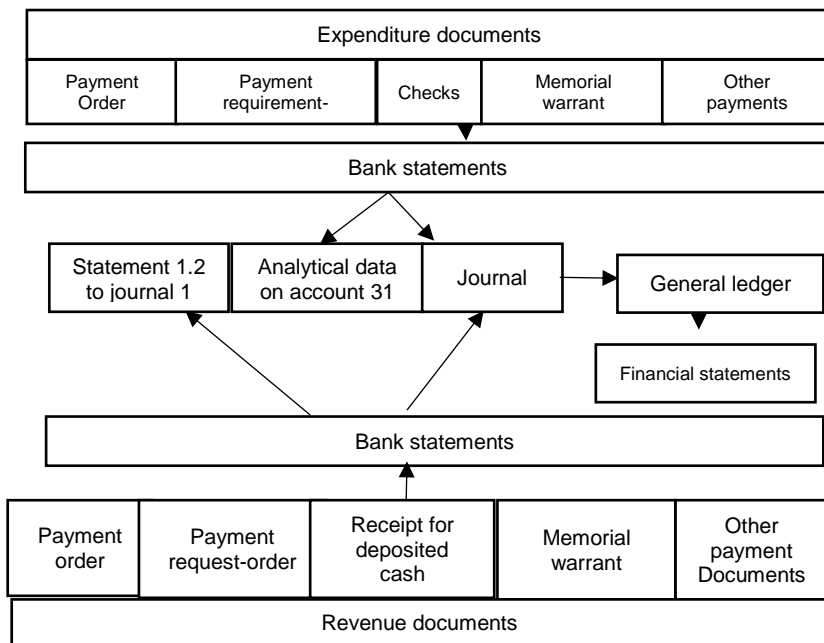


Fig. 1.34. Scheme of document circulation related to the movement of non-cash funds

Source: <sup>251</sup>

Successful completion of almost every transaction depends on the correctness of the choice of payment method, form of payment, etc.

To account for the availability and movement of funds in bank accounts, and which can be used for current operations, account 31 “Bank accounts” is assigned.

This account is active, balance, intended for accounting of funds (Fig. 1.35).

Accounting for operations on account 31 “Bank accounts” is carried out in the journal No. 1 in chronological order on the basis of bank statements and documents attached to them for each day or other period of time.

<sup>251</sup> Korol G.O., Izvekova I.M., Trush Y.T. Accounting policy of the enterprise. Tutorial. 2016. 99 p.

**Account 31 “Bank accounts”**  
*intended for accounting of presence and movement  
 funds that are on  
 bank accounts that may exist  
 used for current operations*

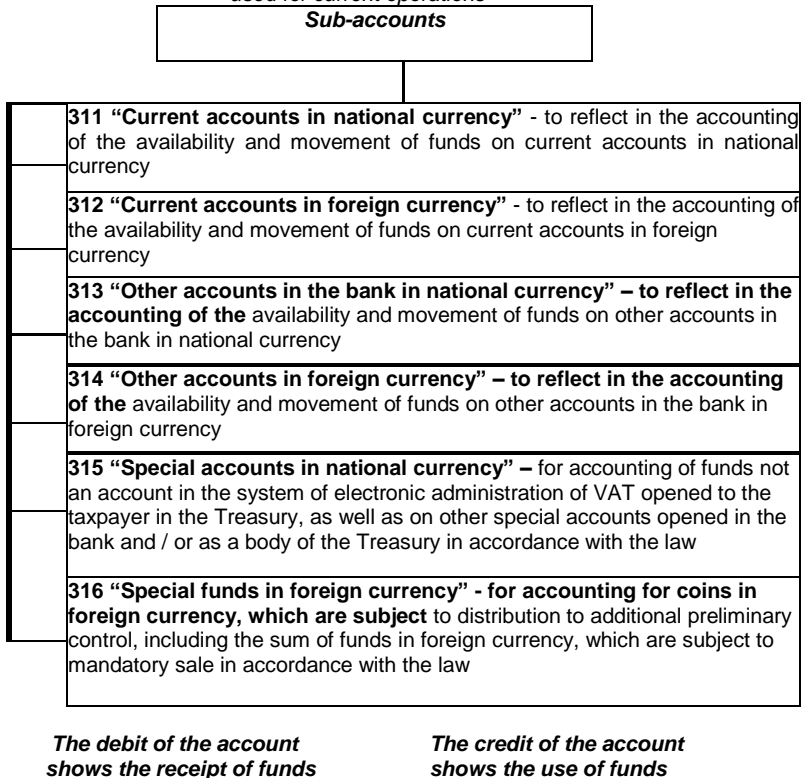


Fig. 1.35. Characteristics of account 31 “Bank accounts”  
 Source: <sup>252</sup>

The balance at the beginning of the month is transferred from the order journal for the last month. At the end of the month, debit and credit turnovers on account 31 “Bank accounts” are grouped in the relevant sections and balances are withdrawn at the end of the month. It must correspond to the balance of funds provided in the bank statement for the last day of the month.

<sup>252</sup> Butynets F.F. Accounting financial accounting. Textbook. Zhitomir. PE “Ruta”. 2005. 756 pp.



Credit turnover in the total amount is transferred to the General ledger on account 31 “Bank accounts” together with debit records of the corresponding corresponding accounts. Entries in the journal-order and in the information are made after processing bank statements.

The stages and procedure for general accounting of transactions with funds in bank accounts are shown in Fig. 1.36.

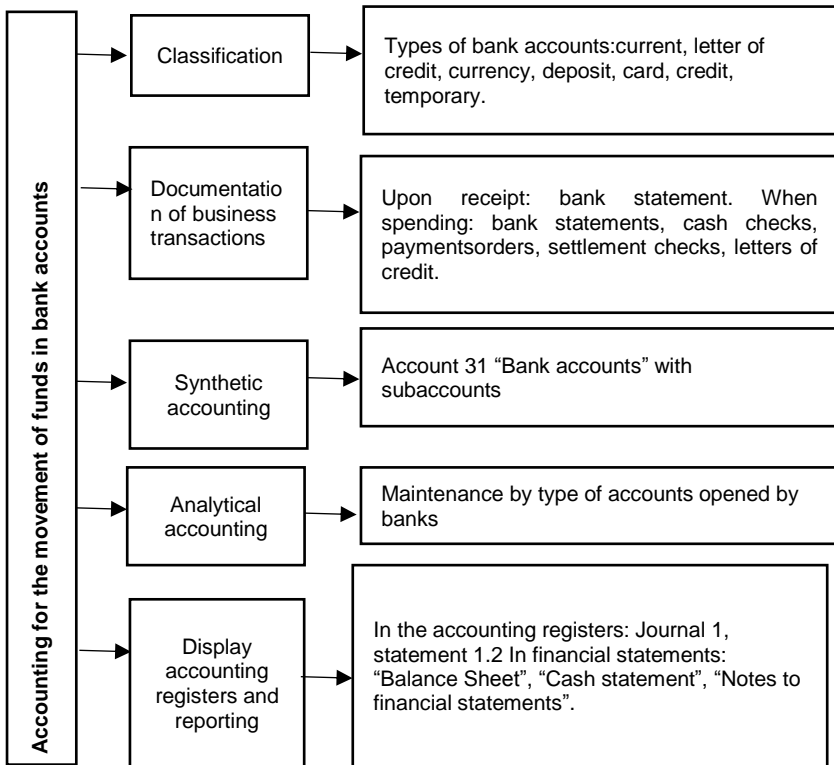


Fig. 1.36. General scheme of accounting for transactions with funds on bank accounts

Source: <sup>253</sup>

<sup>253</sup> Butynets F.F. Accounting financial accounting. Textbook. Zhitomir. PE “Ruta”. 2005. 756 pp.

The accounting process ends with a summary of information on cash flows in the balance sheet and other reporting forms.

Thus, in the Balance Sheet the information is presented in one article (1165) “Money and its equivalents”.

The cash flow statement under articles (3405) “Balance at the beginning of the year” and (3415) “Balance at the end of the year” reflects respectively balances comparable to the items of the Balance Sheet. In addition, this reporting form provides information on article (3410) “The impact of changes in exchange rates on the balance”.

In the form of a Note to the annual financial statements, information is delimited by the articles “Current account in the bank” (650), “Other bank accounts” (660).

At the same time, business entities may supplement additional articles within the framework of the need to present significant information. Cash flow data summarized in the statements are necessary for the current assessment and forecasting of future cash flows.<sup>254</sup>

Recently, payments using electronic money have become widespread.

Electronic money is a modern means of payment that is used to pay for various services and goods on the Internet and has exactly the same value as real money.

The requirements governing the issue and use of electronic money in Ukraine are set out in Article 15 of the Law of Ukraine “On Payment Systems and Transfer of Funds in Ukraine” and the Regulation on Electronic Money in Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine dated 04.11.2010 No. 481 (as amended and supplemented).<sup>255, 256</sup>

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<sup>254</sup> Podolyanchuk O.A. Cash in the system of accounting accounts. Economics. Finance. Management: topical issues of science and practice. 2019. No. 3. pp. 144–155.

<sup>255</sup> On payment systems and transfer of funds in Ukraine: Law of Ukraine dated 05.04.2001 No. 2346-III (with amendments and additions) URL: <http://zakon2.rada.gov.ua/laws/show/2346-14>

<sup>256</sup> Regulations on electronic money in Ukraine: Resolution of the National Bank of Ukraine of December 24, 2010 under No. 1336/18631 (as amended) URL: <http://zakon3.rada.gov.ua/laws/show/z1336-10/paran19#n19>.

Electronic money is an actual substitute for cash form, which is used for payments, without the use of bank accounts, and exchange for cash and is stored on special media and used using special technical devices. Electronic money has signs of both cash and non-cash funds.<sup>257</sup>

In accordance with the Law of Ukraine “On Payment Systems and Transfer of Funds in Ukraine”, the following features of operations with electronic money are defined:

- the issue of electronic money can be carried out exclusively by the bank;
- the issue of electronic money is carried out by providing them to users or commercial agents in exchange for cash or non-cash funds;
- the bank has the right to issue electronic money in an amount not exceeding the amount of funds received by it;
- the bank issuing electronic money is obliged to repay the electronic money issued by it at the request of the user;
- the procedure for carrying out transactions with electronic money and the maximum amount of electronic money on an electronic device at the disposal of the user are determined by the Regulations on electronic money in Ukraine.<sup>258</sup>

Today, in accordance with the latest amendments to the Plan of Accounts for Accounting of Assets, Capital, Liabilities and Business Operations of Enterprises and Organizations and the Instruction on its Application, subaccount 335 “Electronic money denominated in national currency” (as amended on June 27, 2013) has been introduced, which reflects transactions with electronic money. In accounting, transactions with a payment card are reflected as follows (Fig. 1.37).<sup>259</sup>

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<sup>257</sup> Melnychenko O.V. Theoretical foundations of electronic money. *Businessinform*. 2013. No. 8. URL: [www.business-inform.net](http://www.business-inform.net).

<sup>258</sup> On payment systems and transfer of funds in Ukraine: Law of Ukraine dated 05.04.2001 No. 2346-III (with amendments and additions) URL: <http://zakon2.rada.gov.ua/laws/show/2346-14>

<sup>259</sup> Yakovets T. A., Kovalchuk Yu.P. The newest types of money: the realities of their use, accounting and the peculiarity of taxation. *Innovative economy*. 2018. No. 3-4. pp. 146–152.

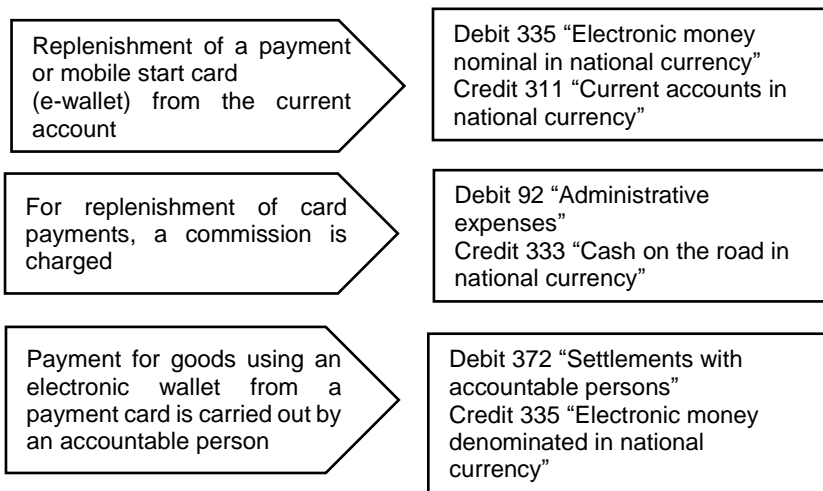


Fig. 1.37. Accounting for operations with smart cards  
Source:<sup>260</sup>

From the standpoint of accounting, electronic money is a new object of study. There are several specific properties of electronic money that directly affect the order of its reflection in accounting. Among them are the following:

- electronic money is generated and transferred not by banking institutions, but by operators of payment systems (these include: developer, owner, administrator of the electronic system; organizations that accept funds for enrollment for further transformation into electronic money), that is, a group of persons who in most cases are either individuals or business entities that do not belong to financial and credit institutions;
- electronic money due to the presence of various payment systems has many options for conventional currencies, which are used by individual subjects of e-commerce.<sup>261</sup>

<sup>260</sup> Yakovets T. A., Kovalchuk Yu.P. The newest types of money: the realities of their use, accounting and the peculiarity of taxation. Innovative economy. 2018. No. 3-4. pp. 146–152.

<sup>261</sup> Radchenko M. A. Features of the display of electronic money in accounting. Scientific Bulletin of Uzhhorod University. 2015. Issue. 1 (45), vol. 2. pp. 121–124.

Settlements with debtors are an unconditional component of the economic activity of the enterprise. First of all, they arise in the process of selling products, goods, works of services as a product of the main activity of the enterprise. The debt of debtors as a result of such operations is the lion's share of the current assets of a production or trading enterprise of wholesale trade. At the same time, enterprises have settlements with various debtors: with employees, with the state, on accrued revenue, with other enterprises regarding advances issued or on claims made, and so on.<sup>262</sup>

The main regulatory legal document regulating the reflection of receivables in accounting is the Regulation (standard) of accounting 10 "Receivables". In NR(S)A 10 "Receivables" receivables are defined as the sum of debts of debtors to an enterprise on a certain date. At the same time, the debtors are all legal entities and individuals who, as a result of past events, owe the company certain amounts of money.<sup>263</sup>

This document does not regulate organizational procedures for accounting for settlements with debtors. Certain elements of the organization of settlement transactions, including settlements with debtors, are defined by various legislative acts, such as the Economic, Civil and Tax Codes, the Regulations on documenting business transactions, etc.

In order to organize accounting of settlements with debtors, it is necessary to combine a system of organizational procedures and methods for accounting for receivables (Fig. 1.38).<sup>264</sup>

Classification of settlement transactions with debtors makes it possible to distinguish several classification groups in different directions:

- a) by type of counterparty – settlements with legal entities

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<sup>262</sup> Levchenko Z. Organization of accounting of settlements with debtors. *Economy and society*. 2017. Issue 9. pp. 1167–1171.

<sup>263</sup> National Regulation (standard) of accounting 10 "Receivables". Order of the Ministry of Finance of Ukraine No. 237 of 08 Oct. 1999 URL: <http://www.rada.gov.ua>.

<sup>264</sup> Levchenko Z. Organization of accounting of settlements with debtors. *Economy and society*. 2017. Issue 9. pp. 1167–1171.

and settlements with individuals;

b) by origin – with domestic and foreign debtors;

c) for the status of debtor:

– among legal entities: settlements with buyers and customers; settlements with subsidiaries and associated enterprises on accrued revenue; settlements with suppliers and contractors on advances issued and on claims; with the tax authorities for the payment of taxes and the tax credit; with other enterprises for other operations, in particular during the sale of other current and non-current assets;

– among individuals: with employees of the enterprise as accountable persons for compensation of material losses, repayment of consumer loans; with third parties.

d) on the subject of economic action – settlements for commodity and non-commodity transactions.<sup>265</sup>

The implementation of business transactions is based on the use of various methods of settlements with counterparties, these are:

- cash payments;

- non-cash payments using bank forms of payment instruments and payment systems;

- non-bank forms of payment using debt liabilities and other financial instruments;

- commodity exchange without the participation of funds (exchange of similar assets) and with partial participation of funds during the exchange of non-similar assets, etc.

Forms and methods of calculation and their application are determined at the time of concluding an agreement, in the process of its execution or repayment of receivables.

To organize the accounting of settlements with debtors, an important methodological technique is the determination of the counterparty as a debtor. According to NR(S)A 10, the counterparty is recognized as a debtor after the implementation of a business transaction, as a result of which receivables were formed.

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<sup>265</sup> Levchenko Z. Organization of accounting of settlements with debtors. *Economy and society*. 2017. Issue 9. pp. 1167–1171.

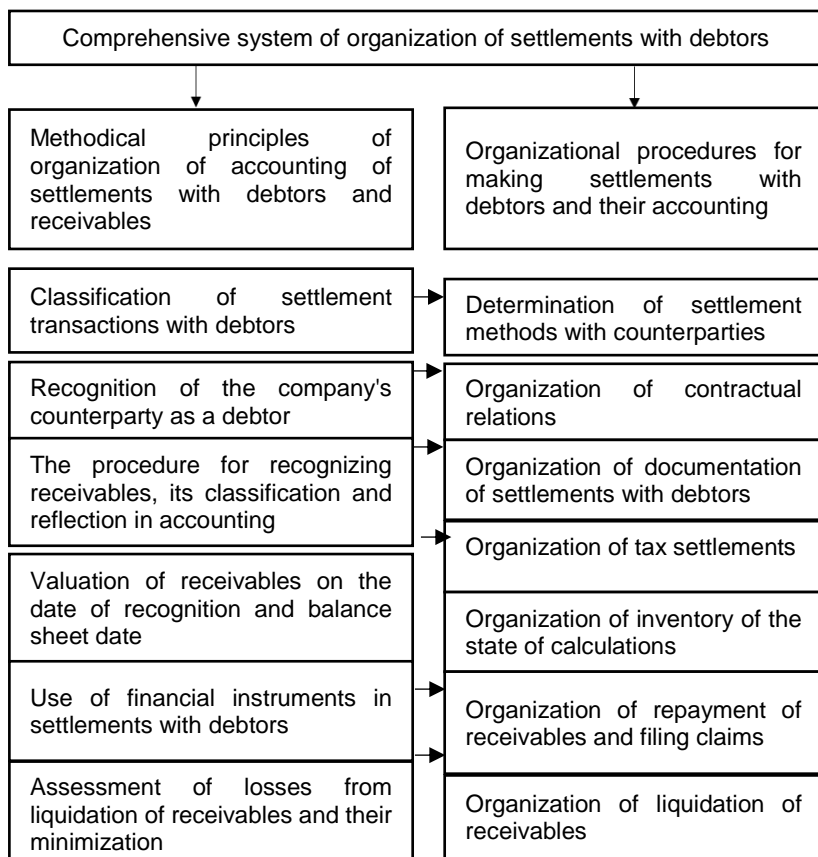


Fig. 1.38. A comprehensive system of organization of accounting for settlements with debtors

Source: <sup>266</sup>

The organization of recognition of receivables provides for its classification by type and maturity. An important point in the recognition of receivables as an asset is to define it as long-term and / or current receivables. The definition of long-term receivables in accordance with NR(S)A 10 is rather ambiguous and requires specification, therefore, in the administrative

<sup>266</sup> Levchenko Z. Organization of accounting of settlements with debtors. *Economy and society*. 2017. Issue 9. pp. 1167–1171.

document of the enterprise regarding the organization of accounting, it is necessary to indicate as a result of which activity the company will have long-term receivables. It should be borne in mind that certain types of receivables a priori cannot be long-term, in particular, debts for goods, works, services, debts of accountable persons, receivables for the payment of taxes. At the same time, the receivables of buyers and customers, secured by bills of exchange, can move from current to long-term in case of maturity of the bill of exchange for more than 12 months.

The reflection of operations on the occurrence of receivables and its write-off (closure) depends entirely on the debt pie itself, that is, the object of its occurrence. Receivables are classified into the following groups, using the corresponding accounts (subaccounts):

1. The tenant's debt on the financial lease, which is reflected in the landlord's blanc;
2. Debt secured by bills of exchange;
3. Providing a loan;
4. Debt for products, goods, works, services;
5. Debt on calculations (with the budget, on advances issued, on accrued revenue, on internal calculations);
6. Other receivables.

To account for current receivables, the Chart of Accounts provides for the following accounts:

- 34 "Short-term promissory notes received". This account keeps records of bills of exchange to ensure receivables. The account has the following subaccounts: 341 "Short-term bills received in national currency" and 342 "Short-term bills received in foreign currency".

- 36 "Settlements with buyers and customers". This account reflects receivables for products, goods, works, services. The account has three subaccounts:

- 361 "Settlements with domestic buyers";
- 362 "Settlements with foreign buyers";
- 363 "Settlements with PFG participants";
- 364 "Calculations for warranty collateral".



Table 1.29

**Groups of receivables using appropriate accounts  
(subaccounts)**

Debt group	Corresponding account (subaccount)	Notes
Accounts receivable for shipped products, goods, works, services	36 "Settlements with buyers and customers"	
Accounts receivable for advance payment (advances issued) for products, goods, works, services	371 "Calculations on issued advances"	It is also possible to account on account 63 "Settlements with suppliers and contractors", subaccount 377 "Settlements with other debtors"
Tenant's receivables for property transferred to financial lease	181 "Debt for property transferred to financial lease"	
Accounts receivable secured by promissory notes	34 "Short-term promissory notes received"; 182 "Long-term promissory notes received"	
Accounts receivable from accrued revenue	373 "Calculations on accrued revenue"	Used to account for accrued dividends, interest, royalties, etc., to be received
Accounts receivable from internal settlements	682 "Internal calculations» 683 "Intra-household calculations"	Used for settlements with subsidiaries and associated enterprises and with production units and farms allocated to a separate balance sheet

Source: <sup>267</sup>

The debit of account 36 "Settlements with buyers and customers" reflects the cost of products sold, goods, work performed, services rendered (including the execution of barter contracts), which includes value added tax, excise taxes and other taxes, fees (mandatory payments) to be transferred to

<sup>267</sup> URL: <http://www.visnuk.com.ua/ru/pubs/id/9795>

budgets and extrabudgetary funds and included in the cost of sales, on the loan – the amount of payments, which were credited to the accounts of the enterprise in banking institutions, to the cash desk and other types of payments. The account balance shows the debt of buyers and customers for the received products (works, services) and is reflected in the balance sheet.

In the reporting, short-term promissory notes received in the Balance Sheet form 1 in section II of the asset in the line “Promissory notes received”, which shows the debts of buyers, customers and other debtors for shipped products, work performed and services provided, which is secured by bills of exchange.

- account 37 “Settlements with various debtors” keeps records of settlements on current receivables with various debtors on issued advances, accrued revenue, on claims, on compensation for damages caused, on loans to members of credit unions and on other operations.

Account 37 has the following subaccounts:

- 371 “Calculations on issued advances” – account for advances issued to other enterprises;
- 372 “Settlements with accountable persons” – account for settlements with accountable persons;
- 373 “Calculations on accrued revenue” – account for accrued dividends, interest, royalties to be received;
- 374 “Settlements on claims” – account for settlements on claims made by suppliers and contractors, as well as on fines, penalties, penalties;
- 375 “Calculations for compensation for damages” – account for calculations for compensation to the enterprise for losses due to shortages and losses from damage to values, if the culprit is identified;
- 376 “Settlements on loans to members of credit unions” – account for settlements on loans to members of credit unions;
- 377 “Settlements with other debtors” account for settlements for transactions related to joint activities, settlements with employees (except for payroll calculations and with accountable persons); other calculations.

Accounting on account 38 “Reserve of doubtful debts” is carried out on debtors or on the terms of non-repayment of receivables, depending on the method by which the reserve of doubtful debts is calculated.

Account 64 “Calculations for taxes and payments” records information on the calculations of the enterprise for all types of payments to the budget, including taxes from employees of the enterprise, and on financial sanctions.

Account 64 has the following subaccounts:

- 641 “Calculations on taxes” – to account for taxes accrued and paid in accordance with the current legislation;
- 642 “Settlements for obligatory payments” – to account for settlements on fees (mandatory payments) that are managed in accordance with the current legislation and which are not recorded on account 65 “Insurance Settlements”;
- 643 “Tax liabilities” to account for the amount of VAT, which is determined on the basis of the advances received;
- 644 “Tax credit” – to account for the amount of VAT for which the company has the right to reduce VAT.

On account 68 “Calculations for various operations”, namely, on its subaccount 682 “Internal calculations” records the internal calculations of the enterprise are kept.

The current receivables of an individual debtor are estimated at the balance sheet date by the amount of repayment, which by definition is equal to the amount of the initial recognition. In the financial statements, the total amount of current receivables is reflected at net realizable value.

Any debt, including current debt, at some point can be recognized by the company as hopeless. In order to recognize accounting receivables as hopeless, documentary evidence is not required. It is enough that one of the conditions is met:

1. The limitation period has expired (3 years);
2. There was confidence that the debtor would not repay his debt (declared bankrupt).

In general, the recognition of current receivables as hopeless is carried out in the context of certain steps (Fig. 1.39).

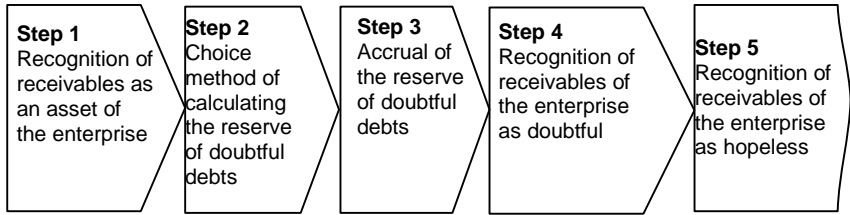


Fig. 1.39. Stages of recognition of receivables as hopeless

*Source: systematized by the authors*

In international practice, there are 2 methods of writing off bad debts:

1. Direct write-off method. According to this method, bad debt is reflected in the accounts during the period when it is likely that the invoice will not be paid. A preliminary assessment of bad debts is not carried out. This method is easy to use, but has certain disadvantages: it cannot be applied in the accounting of Ukraine, since it violates the principle of compliance of revenue with the expenses of the period, makes it impossible to reflect receivables in the Balance Sheet at net cost of sale and is quite difficult in determining the moment in time when receivables can be considered hopeless.

2. The method of calculating the reserve. It was this method that was borrowed by NR(S)A 10 “Receivables” in international standards. According to him, the assessment of the expected value of bad debts is carried out on the basis of total receivables using two approaches:

1. Based on the data of the Profit and Loss Statement (in Ukraine – Statement of Financial Results (Statement of Total Revenue));

2. Based on balance sheet data.

Bad receivables for products, goods, works or services are written off at the time of its recognition at the expense of the reserve of doubtful debts, which is formed on the balance sheet date on the basis of accounting data from previous reporting periods. When creating a reserve of doubtful debts, other expenses of operating activities increase, and the write-off of bad debts occurs not by reducing previously accrued revenue,

but by reducing the reserve of doubtful debts. If the amount of the accrued reserve of doubtful debts is not enough, then bad receivables are written off from assets for other operating expenses (944 “Doubtful and bad debts” of account 94 “Other expenses of operating activities”) (Fig. 1.40).

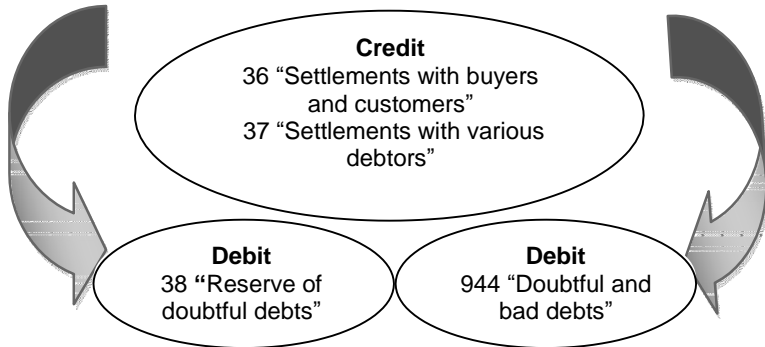


Fig. 1.40. Write-off of the reserve of doubtful debts, if any is created

*Source: systematized by the authors*

The amount of compensation for previously written off bad receivables is included in other operating revenue.

The basis for reflecting receivables in accounting are business contracts and primary documents certifying the fact of a business transaction.

The main documents on the emergence and repayment of receivables are shown in Table 1.30.

Organizational procedures that ensure recognition for the accounting reflection of settlements with debtors include the organization of documentation, the organization of tax support, the organization of an inventory of calculations.

It is necessary to work out the methodology and procedure for drawing up primary documents, determine the rules, the need and expediency of their correct and timely implementation.

Table 1.30

**Documenting transactions on current receivables**

Type of receivables	Documents
Promissory notes received	Bill of exchange, act of acceptance and transfer of a bill, profitable cash order, bank statement
Calculations with domestic Buyers	Invoice, invoice, invoice, act of accepted works, services, tax invoices, consignment notes, consignment notes, bank statements
Settlements with foreign buyers	Commercial documents (invoices — invoices), consignment notes (railway bill of lading, air waybill, bill of lading, consignment note, packing lists), payment documents for the transfer of amounts of customs payments and other taxes for settlements of customs institutions, customs declarations.
Reserve of doubtful debts	Accounting reference-calculation
Payments for issued advances	Payment order, bank statement
Settlements with accountable persons	Report on the use of funds issued for a business trip or under a report with attached justifying documents, receipt cash orders, expenditure cash orders
Calculations for accrued Revenue	Accounting reference-calculation
Claims settlements	Claim, act of acceptance of cargo, decision of the judicial authorities, (arbitration), written consent of the supplier to the claim, bank statement
Calculations for compensation for damages	Minutes of the meeting of the inventory commission, order of the head, documents confirming contributions for compensation of material damage (invoice, receipt cash order, etc.)
Loan settlements to members of credit unions	Agreement between members of credit unions, expenditure cash order, payment orders, advice on the posting of property by the participant conducting joint affairs, or primary documents on receipt of property (copies of the invoice, receipts for revenue orders, etc.)
Settlements with others debtors	Receipt cash order, expenditure cash order, invoice, account, bank statement, etc.

*Source: systematized by the authors*

Inventory of settlement transactions and receivables is not only a requirement of preparatory work during the preparation of annual financial statements. Carrying it out regularly during the accounting period allows you to determine the real amount

of debts, monitor the status of settlements and start claims work on their collection in time, assess the doubtfulness and hopelessness of debt, choose all possible ways to repay and minimize losses.<sup>268</sup>

To organize an inventory of settlements with debtors, it is advisable in the administrative document on the organization of accounting to determine the order of its implementation in relation to its various types, to create inventory commissions with the involvement of not only accounting specialists, but also marketers, lawyers, analysts, financiers, managers. The value of receivables as the main source of financial resources of an enterprise requires the creation of such working groups and the organization of their teamwork to make appropriate management decisions.

A significant impact on the organization of settlements with debtors is the organization of accounting for its repayment and liquidation. Under normal economic conditions, these issues are not so acute. To ensure the stability of financial receipts from the repayment of recognized receivables, it is advisable to carry out certain organizational procedures and the use of financial instruments.

These organizational procedures include:

- providing in contracts the terms of fulfillment of liabilities, force majeure circumstances of deferred payments, penalties, the possibility of prolongation of the duration of the contract;
- determining the possibility of obtaining a commercial loan by drawing up a promissory note or a bill of exchange with interest payment; assignment of debt to the creditor;
- sale of bank debt at a discount (factoring);
- conducting a claim case with consideration in court;
- conclusion of forward, forfeiting contracts and sale of options.<sup>269</sup>

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<sup>268</sup> Levchenko Z. Organization of accounting of settlements with debtors. *Economy and society*. 2017. Issue 9. pp. 1167–1171.

<sup>269</sup> The same source.

## **Conclusions to chapter 1**

The section discusses the features of the organization of accounting for long-term assets of the enterprise. The issue of formation and approval of accounting policies for non-current assets is drawn, a list of primary documents on the main objects of non-current assets is given, an information base on the organization of synthetic and analytical accounting of fixed assets as one of the most significant components of non-current assets is formed. The issue of organizing the accounting of depreciation deductions with examples of its accrual is revealed.

The issue of organizing the accounting of intangible assets is covered separately.

The section explores the essence of the economic category “current assets” and conducts a detailed study of this concept from a practical and scientific point of view. The role of current assets in ensuring the activities of the enterprise, the classification of current assets and working capital are covered. The regulatory regulation of current assets at the national level and the level of the enterprise is considered.

The features of the formation of accounting information in terms of current assets, which should be reflected in the accounting policy of the enterprise, are considered.



## CHAPTER 2

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### ORGANIZATION OF ACCOUNTING OF LIABILITIES OF THE ENTERPRISE

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#### 2.1. Conceptual basis for the organization of accounting of liabilities of the enterprise

At the present stage of development of the domestic market economy, the role and importance of accounting, which is responsible for the information support of the company's management, contributes to the effective use of all its available resources, ensures the completeness and reliability of the reflection of data on the financial and property status of the business entity, is increasingly increasing.<sup>270</sup>

Equity is one of the most important and important elements of an enterprise, since it is the basis and guarantee of business organization of various forms of ownership and organizational and legal forms. Any organization or enterprise conducting production or other commercial activities must have a certain capital necessary for the implementation of its economic activities. It is the basis for the creation and development of the enterprise.<sup>271</sup>

There are different approaches to the definition of the concept of "equity". Table 2.1 shows the main ones.

At the legislative level, the concept of "equity" is enshrined in NR(S)A 1 "General requirements for financial statements". Thus, equity is understood as a part in the assets of an enterprise that remains after deducting its liabilities. This definition reflects the procedure for calculating equity, but does not disclose the sources of formation and directions of use of equity.<sup>272</sup>

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<sup>270</sup> Koval L.V., Bolekhivska V.V. Accounting of equity in the management of the enterprise. *Agrosvit*. 2019. No 9. pp. 53–58. DOI: 10.32702/2306-6792.2019.9.53

<sup>271</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol.18. pp. 371–375.

<sup>272</sup> National Regulation (Standard) of Accounting 1 "General Requirements for

Table 2.1

### Definition of “equity”

Author	Definition
F. F. Butynets <sup>273</sup>	Equity is the total value of the company’s funds, which belong to it on the rights of ownership and are used by it to form its assets.
O. J. Shepherd <sup>274</sup>	Equity is a set of own financial resources of an enterprise, reflected in the first section of the liability of the balance sheet, which is located in electronic (authorized capital, additional capital, reserve fund) and non-fund (retained earnings) forms, and belongs to it on the rights of ownership, economic management and full disposal.
S. F. Golov <sup>275</sup>	Equity is formed by shares, that is, the funds of investors (owners) in exchange for shares sold by them.
T. A. Gorodnya <sup>276</sup>	Equity – accumulation by preserving the stock of economic goods in the form of cash and real capital goods, which is involved by its owners in the economic process as an investment resource and a factor of production in order to generate revenue, the functioning of which in the economic system is based on market principles and is associated with factors of time, risk and liquidity.
V. V. Sopko <sup>277</sup>	Equity is the company’s own sources, which, without determining the deadline, are contributed by the founders or left by them at the enterprise from the already taxed profit.
O. O. Tereshchenko <sup>278</sup>	Equity is the balance between the total amount of assets and borrowed capital.

Financial Reporting”. URL: <http://zakon2.rada.gov.ua/laws/show/z0336-13>.

<sup>273</sup> Butynets F.F. Accounting financial accounting. 8th ed., add. and processing. Zhytomyr : Ruta, 2009. 912 p.

<sup>274</sup> Shepherd O.Y. Equity as a financial source of the enterprise. *Sciences. visn. NLTU of Ukraine*. 2009. Issue. 19 (5). pp. 146–150.

<sup>275</sup> Chairman S.F., Kostyuchenko V.M. Financial accounting. K. : Libra, 2005. 976 p.

<sup>276</sup> Gorodnya T.A. Modern strategy of money management under the enterprise. *Sciences. visn. NLTU of Ukraine*. 2008. Issue. 18 (10). pp. 250–253.

<sup>277</sup> Sopko V.V. Accounting in the management of the enterprise. K. : KNEU, 2006. 526 p.

<sup>278</sup> Tereshchenko O.O. Financial activities of business entities. K. : KNEU, 2003. 554 pp.

<p>N. V. Chebanova, Y. A. Vasilenko<sup>279</sup></p>	<p>Equity – own sources of financing of the enterprise, which, without specifying the repayment period, are contributed by its founders (participants), or the amount of reinvested net profit accumulated during the life of the enterprise, as well as gift capital.</p>
<p>N. M. Tkachenko<sup>280</sup></p>	<p>Equity is the company's own sources, which, without determining the period of return, are contributed by the founders or left by them at the enterprise from taxable profits.</p>

*Source: formed by the authors on the basis of processed sources*

International accounting standards do not use such a term as “equity”, the equivalent to it in foreign practice is the concept of “net assets”.<sup>281</sup>

Effective use of equity is, on the one hand, to get as much profit as possible, that is, to maximize the return on equity, and on the other hand, not to lose financial stability and remain solvent.<sup>282</sup>

The economic condition of any enterprise is characterized by the size of the capital owned by it, and successful activity consists in its multiplication and accumulation. The main source of financing for the activities of business entities there are their own means. It is capital that expresses property. At the time of the creation of the enterprise, such a function is performed by its initial capital, which in its material composition is a set of assets invested by the founders (participants). At the time of the creation of the enterprise, its start-up capital is embodied in the assets invested by the founders (participants) and reflects their value.<sup>283</sup>

<sup>279</sup> Chebanova N.V., Vasilenko Yu.K. : Publishing Center "Academy", 2002. 672 p.

<sup>280</sup> Tkachenko N.M. Accounting financial accounting at enterprises of Ukraine. K. : A.S.K., 2000. 784 p.

<sup>281</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>282</sup> Ksyondz S.M. Formation of equity in domestic enterprises. *Bulletin of Khmelnytsky National University*. 2014. No. 4. Vol. 2. pp. 131–134. URL: <http://elar.khnu.km.ua/jspui/bitstream/123456789>.

<sup>283</sup> Korkushko O.N. Classification types of equity as an object of accounting. *Sustainable Economic Development: International Research and Production*

In the process of functioning, equity ensures the interests of the state, owners and staff. The organization of equity accounting is a prerequisite for the formation of an information base for reflecting such characteristics of the enterprise as the provision of funds for the enterprise, the creditworthiness of the enterprise, financial stability, solvency. Therefore, it is the rational organization of equity accounting that is the key to obtaining reliable and necessary information about the company's equity.<sup>284</sup>

Equity is an important component among the sources of formation of enterprise resources. At the time of the creation of the enterprise, its start-up capital consists of tangible assets, cash, financial investments and the cost of acquiring rights and privileges that are necessary for the implementation of business activities. The ratio of start-up capital is equal to the size of equity as long as the company has no external debt. Such assets are the value of the property of the enterprise. That is, the company's own capital is the total value of the company's funds, which belong to it on the rights of ownership and are used by it to form its assets.<sup>285</sup>

In Ukraine, there are different types of enterprises that differ in the purpose and nature of their activities, the number of capital owners, their rights and responsibilities. Therefore, the most characteristic features of the organization of accounting for equity are the organizational and legal form of the enterprise and the form of ownership. The organizational and legal form of management determines the content of financial relations in the process of forming the authorized capital, responsibility for liabilities, distribution and use of profits.<sup>286</sup>

The most common form of entrepreneurial activity are business partnerships.

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*Journal, University of Economics and Entrepreneurship*. Khmelnytsky. 2013. No. 4 (21). pp. 262–265.

<sup>284</sup> Melen O.V., Mastruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol.18. pp. 371–375.

<sup>285</sup> Ospishcheva V.I. Finance: a course for financiers: a textbook. Kyiv, 2008. 567 p. URL: [http://pidruchniki.com/12590605/finansiv/osnovi\\_organizatsiyi\\_finansiv\\_pidpriyemstv](http://pidruchniki.com/12590605/finansiv/osnovi_organizatsiyi_finansiv_pidpriyemstv).

<sup>286</sup> The same source.

There is a certain procedure for the formation of capital depending on the organizational and legal form of the enterprise. For example, the authorized capital of joint stock companies consists of the amount of shares of shareholders of equal nominal value, but its size must be at least the amount equivalent to 1,250 minimum wages. The authorized capital of a limited liability company and an additional liability company is formed at the expense of the amounts of contributions of participants. Its size is determined by the participants of the company independently.

The constituent capital of the Full Partnership and Limited Partnerships consists of a set of contributions of participants in accordance with the memorandum of association in the amount necessary to ensure the activities of the enterprise. For state and commercial enterprises, the authorized capital is a set of fixed and working capital allocated to the enterprise by the state (municipal) body.<sup>287</sup>

Generalized information on the size of the authorized capital of business companies is given in Table 2.2.

Contributions of participants to the authorized capital can be made in the following forms:

1. Property and materials (equipment, buildings, material values);
2. Securities (supplies, bonds, etc.);
3. The right to use natural resources;
4. The right to use property (houses, equipment);
5. The right to use intellectual property;
6. Cash.

Material values that are contributed to the authorized capital are estimated according to primary documents confirming their value, and if there are none, the relevant commission determines the fair value of the objects. The constituent documents must specify the terms of formation of the authorized capital. As a rule, the term of formation of the authorized capital is one year.

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<sup>287</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol.18. pp. 371–375.

Table 2.2

**The size of the authorized capital of business companies**

Business entities	The size of the authorized capital
Joint Stock Company	The authorized capital cannot be less than 1,250 minimum wages (based on the size of the minimum wage at the time of the creation of the company). The founders of a joint stock company may be holders of shares in the amount of at least 25% of the authorized capital and for a period of at least two years
Limited Partnership Responsibility	No fixed minimum wage has been established, but not less than one minimum wage
Society with additional Responsibility	No fixed minimum wage has been established, but not less than one minimum wage
Full partnership	No fixed minimum wage has been established, but not less than one minimum wage
Investment company	The authorized capital must be not less than 50 thousand rubles. Min. salaries (based on the size of the salary at the time of creation)
Enterprise with foreign investments	Foreign investment in the authorized capital must be at least 10%

Source: <sup>288</sup>

The organization of accounting in enterprises, institutions and organizations is a system of methods, methods, measures that ensure its optimal functioning and development in accordance with the purpose, goals and mission.<sup>289</sup>

The main purpose of the organization of equity accounting is to support the financial management system in decisions on its preservation and to ensure effective control over the formation of sources of own funds. An important place in the organization of accounting for the equity of an enterprise is occupied by elements of the accounting method. Their role and significance are shown in Table 2.3.

<sup>288</sup> Kundrya-Vysotska O.P., Moskalenko O.V., Sulyma O.M. Organization of accounting: textbook. manual. K.: UBS NBU, 2015. 336 p.

<sup>289</sup> Sadovska I.B., Bozhydarnyk T.V., Nahirnyk K.E. Accounting: a textbook. Kyiv: Center for Educational Literature, 2013. 688 p. URL: [http://pidruchniki.com/1652122253238/buhgalterskiy\\_oblik\\_ta\\_audit](http://pidruchniki.com/1652122253238/buhgalterskiy_oblik_ta_audit).

Table 2.3

**The role of the elements of the accounting method in the formation, change and use of equity**

Elements of the accounting method			The role of the elements of the method in the accounting of equity	
ACCOUNTING METHOD	Elements of the accounting method	Systematic and chronological observation of the formation and changes of equity	Documenting	Due to the availability of documentation of operations with equity, continuous and continuous monitoring of them is ensured
			Inventory	Thanks to the inventiveness, the availability of equity in the enterprise is checked
		Cost measurement of the size of equity components	Score	Thanks to the assessment, the total amount of assets owned by the enterprise is determined.
		Grouping, registration and systematization of equity	Accounts	Thanks to the accounts, information on the formation, changes and use of the company's own capital is summarized
			Double entry	Due to the double entry, the dual nature of accounting associated with the formation, changes and use of equity is reflected, it is due to the need for an interrelated reflection of economic phenomena in accounts.
		Generalization of equity information	Balance	Due to the balance sheet, economic records of the company's equity at a certain reporting date are summarized and grouped
			Reporting	Thanks to financial statements, it is

				<p>characterized not only by the formation, but also by changes and the use of equity in analytical sections, which provides information for the needs of management, analysis and control of the economic activity of the enterprise.</p>
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Source: <sup>290</sup>

These elements of the accounting method apply to all accounting objects. Methodical methods of accounting of equity are interrelated, complement each other and together constitute a single whole – the method of accounting.

Subject to the use of these elements of the accounting method, owners and other entities for the management, analysis and control of the economic activity of the enterprise are provided with information that management personnel can use to solve the main tasks of accounting: ensuring the safety of the owner's property, determining and distributing profits, providing information for management. The use of these elements of the accounting method will increase the efficiency of the application of equity accounting methods.<sup>291</sup>

In general, equity consists of the following capital:

1. Registered (share) capital;
2. Capital in revaluations;
3. Additional capital;
4. Reserve capital;
5. Retained earnings (uncovered loss);
6. Withdrawn capital;

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<sup>290</sup> Pylypenko O.I. Accounting and analysis of equity: theory and practice: Abstract of the dissertation for the degree of Candidate of Economic Sciences. Kiev. 2005. 25 p.

<sup>291</sup> Brik S.V. Study of approaches to the organization of equity accounting and improvement of its audit in the aspect of increasing the financial stability of the enterprise. URL: [http://repository.kpi.kharkov.ua/bitstream/KhPI-Press/32372/1/2017\\_Brik\\_Doslidzhennia\\_pidkhodiv.pdf](http://repository.kpi.kharkov.ua/bitstream/KhPI-Press/32372/1/2017_Brik_Doslidzhennia_pidkhodiv.pdf)



## 7. Unpaid capital.<sup>292</sup>

These components show the amount that the owners transferred to the enterprise as contributions, or left in the form of retained earnings. All these types of capital can be divided into three groups (Table 2.4).

*Table 2.4*

<b>Equity structure</b>		
Invested capital	Accumulated capital	Regulatory capital
Registered (share) capital	Capital in revaluations	Withdrawn capital
	Additional capital (minus other invested capital)	
Other invested capital	Reserve capital	Unpaid capital
	Retained earnings (uncovered loss)	

*Source:*<sup>293</sup>

The sources of equity formation are the capital contributed by its founders without determining the term of their return (invested capital), and the capital received by the enterprise as a result of effective activity, which remains at its disposal (accumulated capital). In addition, there is a regulatory capital of the enterprise.

Invested capital is formed from the following components: registered (share) (authorized capital, share capital), another invested.<sup>294</sup>

Registered (share) capital characterizes the amount of authorized or share or other registered capital in accordance with the legislation and constituent documents, as well as contributions to the declared, but not yet registered authorized capital.<sup>295</sup>

An important object of the organization of accounting is the process of forming the authorized capital at the expense of the

<sup>292</sup> Beskorovaina L. V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>293</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>294</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. V.18. pp. 371–375.

<sup>295</sup> The same source.

contributions of the founders. Accounting of the authorized capital begins from the moment of registration of the enterprise in the Unified State Register of Enterprises and Organizations of Ukraine, and also terminates on the day of departure of the enterprise from the state register as a result of completion of activities, bankruptcy, reorganization, etc.<sup>296</sup>

Information on the size and procedure for the formation of the authorized capital should be indicated in the founding documents of the enterprise and are subject to mandatory registration in the state register of economic units. Changes in the increase or decrease in the size of the authorized (share) capital must also be registered. The amount of authorized (share) capital in the balance sheet of an enterprise cannot be different from that registered in the state register. Therefore, the uninvested funds of the founders (participants) are reflected in the liability of the balance sheet separately.<sup>297</sup>

Share capital reflects the amount of share contributions of members of a consumer society, a collective agricultural enterprise, a housing cooperative, a credit union and other enterprises provided for by the constituent documents.<sup>298</sup>

Other invested capital includes additional contributions from the founders on a voluntary basis in order to ensure the development of the enterprise. The decision on additional contributions is made by the general meeting of the team. Additional contributions do not increase the amount of registered capital, do not violate the ratio of shares in the authorized capital and are not registered with state bodies.<sup>299</sup>

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<sup>296</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. V.18. pp. 371–375.

<sup>297</sup> The same source.

<sup>298</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. *Global and national problems of the economy*. 2015. Issue. 4. pp. 950–954.

<sup>299</sup> The same source.

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Accumulated capital is formed from such components as capital in revaluations, additional capital, retained earnings and reserve capital. The amount of equity reduces unpaid capital and withdrawn capital.<sup>303</sup>

In the process of economic activity, enterprises can accumulate equity as a result of various business transactions. Thus, the company can form capital in revaluations due to revaluations of non-current assets and financial instruments.<sup>304</sup>

The formation of capital in revaluations is carried out in the process of the enterprise. Sources of capital formation in revaluations are mandatory and additional contributions of union members in monetary or property form. The amount of contributions is determined by the Charter of the company or the general meeting of shareholders and is formed according to

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<sup>300</sup> Melen O.V., Mastruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol.18. pp. 371–375.

<sup>301</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>302</sup> The same source.

<sup>303</sup> Melen O.V., Mastruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol.18. pp. 371–375.

<sup>304</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

the degree of transfer by shareholders of contributions, which can be made both once and during the period determined by the constituent documents. Analytical accounting of capital in revaluations is conducted in the context of each shareholder by type of contribution.<sup>305</sup>

According to NR(S)A7 “Fixed Assets”, an enterprise may reevaluate an object of fixed assets if the residual value of this object differs significantly from its fair value at the balance sheet date. In the case of revaluation of the object of fixed assets, on the same date, the revaluation of all objects of the group of fixed assets to which this object belongs is carried out.<sup>306</sup>

According to NR(S)A 8 “Intangible Assets”, an enterprise may reevaluate at fair value at the balance sheet date of those intangible assets for which there is an active market. In case of revaluation of a separate object of an intangible asset, all other assets of the group to which this intangible asset belongs (except for those for which there is no active market) should be revalued.<sup>307</sup>

According to NR(S)A13 “Financial Instruments”, accounting for hedging cash flows is carried out taking into account the hedging efficiency ratio. With a value of the cash flow hedging efficiency ratio in the range of 0.8-1.25, the change in the book value of the hedging object is reflected in another total revenue with a simultaneous change in equity (in terms of revaluation of financial instruments).<sup>308</sup>

If the company receives non-current assets from other persons free of charge, then they are reflected as an increase in the additional capital of the enterprise. The balance of additional capital is reduced by the amount of recognized revenue during the useful life of free-of-charge received objects of non-current assets and upon disposal of such assets. Also, in additional capital, other additional capital is allocated, in

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<sup>305</sup> Melen O.V., Mastruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. V.18. pp. 371–375.

<sup>306</sup> National Regulations (standards) of accounting. URL: <http://kodeksy.com.ua/buh/psbo.htm>.

<sup>307</sup> The same source.

<sup>308</sup> The same source.

particular, capital in the amount of the value of non-current assets received under a lease agreement for integral property complexes.<sup>309</sup>

Retained earnings (uncovered loss) is a type of accumulated capital, which is the financial result of an enterprise after the payment of revenue to owners and the formation of reserve capital.<sup>310</sup>

The provisions (standards) of accounting provide for the distribution of profits in the areas of future use. The procedure for the distribution of profits and losses is determined in the charter and the founding agreement, and also falls within the competence of the general meeting of founders. In the areas of use of retained earnings, it is necessary to keep analytical records on a specific account.<sup>311</sup>

Reserve capital is a type of capital inherent in all types of enterprises. It represents the amount of reserves formed in accordance with the current legislation or constituent documents at the expense of retained earnings of the enterprise.<sup>312</sup>

At the legislative level, the mandatory creation of reserve capital is provided only for joint-stock companies. However, as practice shows, the vast majority of business entities of other forms of ownership create and replenish reserve capital, prescribing this in the constituent documents.<sup>313</sup>

Regulatory capital is formed from the following components: unpaid capital and withdrawn capital.

Thus, the withdrawn capital reflects the actual cost of shares of its own issue or shares purchased by a business company

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<sup>309</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>310</sup> The same source.

<sup>311</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol. 18. pp. 371–375.

<sup>312</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>313</sup> Koval L.V. Reserve capital as an internal insurance fund of an enterprise: formation and accounting. *Economic Sciences. Series "Economics and Management": collection of scientific works. Lutsk National Technical University*. 2012. Issue 9 (34). Part 2. pp. 193–198.

from its participants. Unpaid capital shows the debt of the founders of a business entity on contributions to the authorized capital of the enterprise.

The presence of these components of equity is explained primarily by the fact that the main task of accounting for equity is to provide reliable information about the presence of real assets that are transferred to the enterprise in exchange for corporate rights or actually created in the process of activity. Therefore, these types of capital adjust the actual amount of equity.<sup>314</sup>

Let us single out the features of the organization of accounting of the components of equity capital of enterprises of various organizational and legal forms:

- accepted set of means of processing accounting information;
- selection of the optimal, appropriate (acceptable) but not less than by law of a certain amount of authorized, share capital;
- compliance with the responsibility of the founders when leaving the company;
- provision in the Order on the accounting policy of the enterprise of the procedure for accounting of the components of equity capital.<sup>315</sup>

The current regulatory documents provide for a number of alternative options for the methodology of reflection in the accounting of transactions with equity.

The provisions of the accounting policy, providing for the implementation of operations with the authorized capital, make it possible to prevent conflicts between business entities regarding the procedure for calculating compensation to a participant when he leaves the company, to determine the appropriate ratio between the authorized and reserve capital in order to ensure the continuous operation of the enterprise.<sup>316</sup>

Thus, the Regulation on accounting policies should regulate

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<sup>314</sup> Beskorovaina L.V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>315</sup> Korkushko O.N. Methodical principles of formation of accounting policy regarding the equity of the enterprise. *Science and Economics: Scientific and Theoretical Journal of Khmelnytsky University of Economics*. Khmelnytsky. 2013. No. 3 (31). pp. 59–64.

<sup>316</sup> The same source.

the issue of reflection in the accounting of the capital of the enterprise (Fig. 2.1).

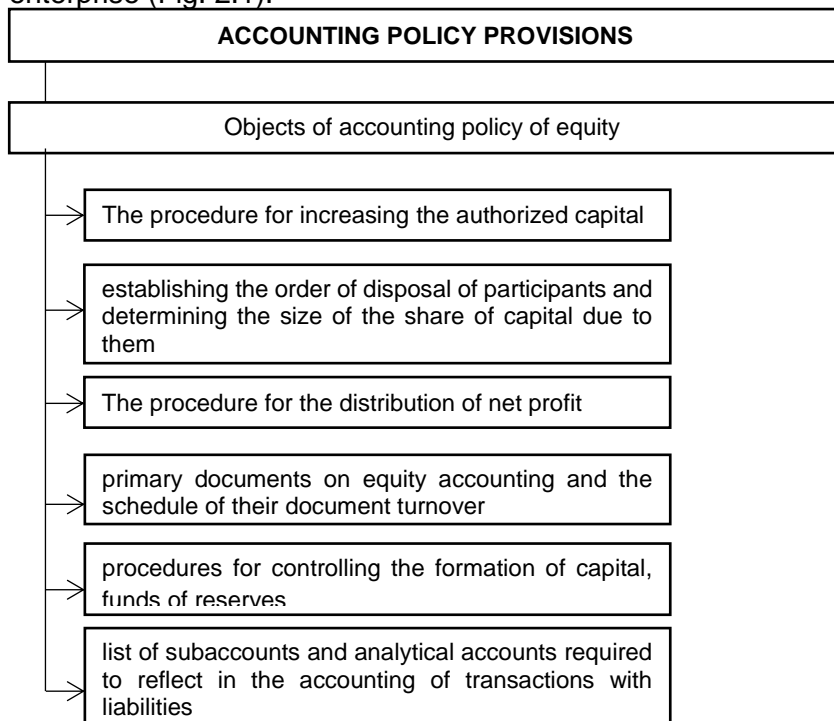


Fig. 2.1. Objects of accounting policy of capital

Source: <sup>317</sup>

The objects of the organization of accounting for equity are the primary stage, current and generalized, and the objects of each stage are nomenclatures, carriers of nomenclatures, their movement and provision.

The tasks of organizing the accounting of equity are as follows:

1. The choice of documents that will be used to draw up transactions with equity;

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<sup>317</sup> Butynets F.F., Voinalovich O.P., Tomashevskaya I.L. Organization of accounting: Textbook for students of specialty 7.050106 "Accounting and audit" of higher educational institutions. 4th ed., add. and processing. Zhytomyr : PE "Ruta", 2005. 528 p.

2. Ensuring timely and reliable reflection of transactions with equity in accounting;

3. Ensuring control over the correctness and legality of the formation of equity capital and the use of funds of reserves created at the enterprise;

4. Compliance with the established deadlines for settlements with creditors and founders (participants);

5. Determining the duties of accounting employees responsible for accounting for transactions with equity;

6. Ensuring the inventory of capital within the time limits established by law.

Any business entity, regardless of its size, industry, success and financial stability, is faced with such a thing as liabilities. Each company has liabilities to suppliers and contractors for the goods, works, services provided, to employees for remuneration, to the budget, insurance and pension funds, etc. These are liabilities arising from the usual activities of the enterprise, which indicates its normal functioning.<sup>318</sup>

A critical analysis of modern economic literature in the fields of accounting gives reason to state that today there is no single approach to the definition of the concept of "liability". Due to the fact that scientists use different categories, concepts and terms, namely: liabilities, debt, calculations; short-term and current liabilities, etc., consider the categories "liabilities", "debt", "settlements" on legal, economic and accounting grounds.<sup>319</sup>

By economic essence:

- liabilities – the organization's liabilities to counterparties should be considered as items of its revenue, and the liabilities of counterparties to the organization – as items of its expenses;

- debt – monetary amounts payable but not paid;

- calculations – monetary relations arising between

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<sup>318</sup> Gevlych L.L., Katranzhi L.I. Features of approaches to determining the essence of the concept of "current liabilities" and their classification. *Finance, accounting, banks*. 2017. No. 1 (22). pp. 70–78.

<sup>319</sup> Berzhanir I.A., Berzhanir A.L., Yashchuk T.A. The economic essence of the liabilities and calculations of the enterprise. *Priazovsky Economic Bulletin*. 2020. Issue. 2(19). pp. 240–245.



organizations for commodity and non-commodity transactions.<sup>320</sup>

According to the accounting essence:

- liabilities – the debt of the enterprise, which arose as a result of past events, the repayment of which in the future is expected to lead to a decrease in the resources of the enterprise, embodying economic benefits;

- debt – the amount of debts owned by the company (society, company, etc.) from individuals or legal entities that have arisen in the process of economic relations with them;

- settlements – settlements for commodity transactions – non-cash payments for inventory, work performed and services rendered by checks, letters of credit or other settlement documents; and payments for non-commodity transactions – non-cash payments related to the budget and social and state insurance bodies, etc.<sup>321, 322</sup>

From a legal standpoint:

According to Article 509 of the Civil Code of Ukraine, an liability is “a legal relationship in which one party (debtor) is obliged to perform in favor of the other party (creditor) a certain action (transfer property, perform work, provide a service, pay money, etc.) or refrain from a certain action, and the creditor has the right to demand from the debtor the fulfillment of his liability”.<sup>323</sup>

According to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, liabilities are the debts of an enterprise arising from past events and the repayment of which in the future is expected to lead to a decrease in the resources

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<sup>320</sup> Ogiychuk M.F., Utenkova K.O., Kovaleva O.V., Tredit V.E. Accounting. Practical guide. 2015. 334 p.

<sup>321</sup> Dorosh N.I. Theoretical aspects of the organization of accounting. *Economy. Management. Business*. 2015. Issue. 1. pp. 93–97.

<sup>322</sup> Berzhanir I.A. Directions for improving the accounting of settlements with counterparties. *Development Strategy of Ukraine: Financial, Economic and Humanitarian Aspects: Proceedings of the VI International Scientific and Practical Conference*. Kyiv : Information and Analytical Agency, 2019. pp. 25–27.

<sup>323</sup> Civil Code of Ukraine of January 16, 2003 No. 435-IV. URL: <http://zakon.rada.gov.ua/laws/show/435-15>

of the enterprise that embody economic benefits.<sup>324</sup>

In accordance with IFRS 37 “Collateral, contingent liabilities and contingent assets”, “liabilities are the current debt of an enterprise that arises as a result of past events and the repayment of which, according to expectations, will entail the disposal of resources from the enterprise that embody economic benefits”.<sup>325</sup>

Methodological principles of formation in accounting of information on current and long-term liabilities of enterprises and its disclosure in the financial statements are determined by NR(S)A 1 “General requirements for financial statements”, NR(S)A 11 “Liabilities”, NR(S)A 13 “Financial instruments”, NR(S)A 14 “Rent”, NR(S)A 17 “Revenue tax”; NR(S)A 26 “Payments to employees”, Instructions on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, etc.

As a legal category, an economic liabilities are the economic relationship governed by law. By virtue of these relations, one party is authorized to require the other to carry out business transactions: transfer of property, performance of works, provision of services, etc., and the other party is obliged to fulfill the requirements regarding the subject of the liability and has the right to demand appropriate remuneration – payment of money, counter services, etc. (Fig. 2.2).

Legal interpretation of the liabilities of the enterprise makes it possible to determine the parties interacting as a debtor and creditor, and most importantly – the conditions for the implementation of legal relations, which in the accounting will be reflected in the monetary meter for business transactions.

The fulfillment of liabilities is carried out according to certain general rules, called the principles of fulfillment of liabilities. Such principles, in particular, are the principle of real implementation, the principle of proper implementation, the principle of mutual cooperation, the principle of cost-

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<sup>324</sup> On accounting and financial reporting in Ukraine: Law of Ukraine of 16.07.1999. No. 996-XV. URL: <http://zakon0.rada.gov.ua/laws/show/996-14>

<sup>325</sup> Gubacheva O.M. Accounting in foreign countries. Tutorial. K. : Center for Educational Literature. 2008. 430 pp.

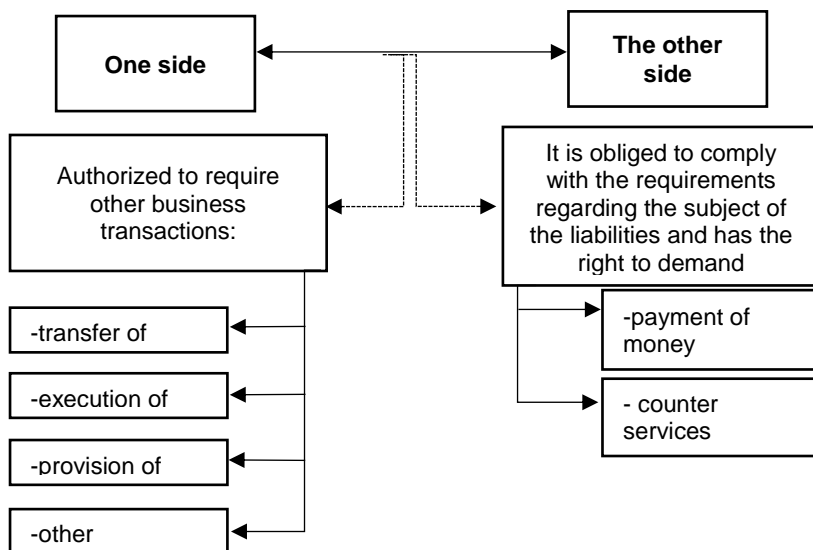


Fig. 2.2 Characteristics of the legal parameters of the liabilities  
 Source: <sup>326</sup>

effectiveness, etc. The liability must be based on the principles of good faith, reasonableness and fairness. At the same time, the principle of proper performance involves the fulfillment of liabilities by the proper parties, execution in the proper place, execution in due time and in the proper way.<sup>327</sup>

Liabilities at the enterprise arise under concluded contracts (contractual liabilities: unilateral – one party undertakes an liability to the other party to perform certain actions or refrain from them, and the other party is vested only with the right of claim without a counter-liability to the first; bilateral – rights and liabilities are vested in both parties to the contract) or regulatory documents.

In accounting, liabilities are a source of formation of financial resources to finance the operational, investment and financial

<sup>326</sup> Svistun L.Y. Subjects of liabilities under the legislation of Ukraine. *Scientific Bulletin of Dnipropetrovsk State University of Internal Affairs*. 2013. No. 1. pp. 205–212.

<sup>327</sup> The same source.

activities of an enterprise. In the future, the debt on liabilities must be repaid by transferring certain assets or services. Thus, liabilities are the claims of creditors in relation to the assets of the enterprise.<sup>328</sup>

In accounting, liabilities arise not at the time of the conclusion of the contract, but after the implementation by one of the parties of the actions (or inaction) provided for in the contract, as a result of which there is a receivable of one party to the other – an liability to repay this debt, which is called payable.<sup>329</sup>

In a broad sense, liabilities arise as a managerial legal act of an order or a state contract, in a narrow sense – liabilities arise from a business contract concluded by simple agreement of the parties, on other grounds that do not contradict the law, based on the results of a tender, tender, and other public bidding.<sup>330</sup>

The liability is reflected in the accounting only when there is a debt on it. This rule is much more difficult to apply than it seems, since in accordance with Art. 11 of the Civil Code of Ukraine, the conclusion of an agreement is already the basis for the occurrence of an liability. Therefore, it is important for accountants-practitioners to clarify when a legal liability arises, and when the moment comes to reflect this liability in accounting accounts (Fig. 2.3).

In accounting as an information system for managing a business entity, liabilities arise not at the time of the conclusion of the contract, but after one of the parties performs the actions (or inaction) provided for in the contract, as a result of which there is a receivables of one party to the other – an liability to repay this debt, which is called payable.<sup>331</sup>

The main characteristics of the liability as an object of accounting and financial statements are reflected in Fig. 2.4.

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<sup>328</sup> Ivchenko L.V., Kharchuk V.Y. Liabilities of enterprises as an object of accounting. URL: <https://core.ac.uk/download/pdf/197264477.pdf>

<sup>329</sup> Koblyanskaya I.O. Financial accounting. Tutorial. Kyiv: Knowledge. 2007. 473 pp.

<sup>330</sup> Accounting regulations (standards) No. 1-35 (as amended). Accounting in agriculture. 2010. No. 15–16. pp. 1–92.

<sup>331</sup> The same source.

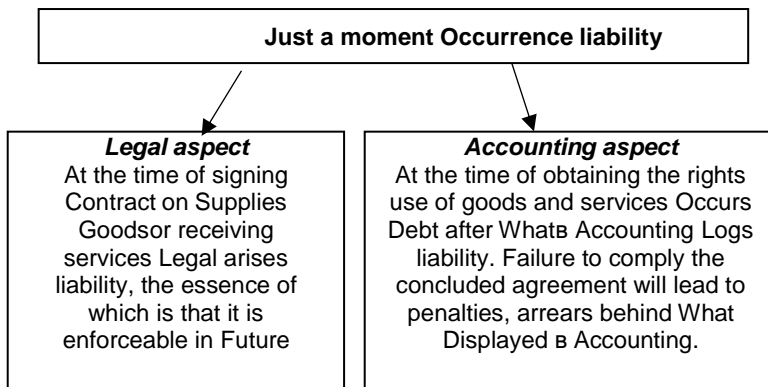


Fig. 2.3. The moment of occurrence of the liability  
 Source: <sup>332</sup>

As an object of accounting, liabilities are one of the main factors affecting the liquidity, creditworthiness and sustainability of an enterprise. Rational organization of accounting for liabilities contributes to the strengthening of contractual and settlement discipline, accelerating the turnover of working capital and, consequently, improving the financial condition of the enterprise.

An liability is recognized if its valuation can be likely to be determined and there is a possibility of a decrease in economic benefits in the future as a result of its repayment. If on the balance sheet date the previously recognized liability is not repaid, then its amount is included in the revenue of the reporting period. Evaluation, for its part, provides the possibility of reporting. An accurate assessment of the impact of inflationary processes on the indicators of financial statements contributes to the validity of the data obtained from the accounting registers, as well as the correctness of their interpretation.

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<sup>332</sup> Abalmasova N.S. Improvement of accounting of current liabilities in Ukraine on the basis of international experience URL: [http://www.rusnauka.com/11\\_EISN\\_2010/Economics/64247.doc.htm](http://www.rusnauka.com/11_EISN_2010/Economics/64247.doc.htm)

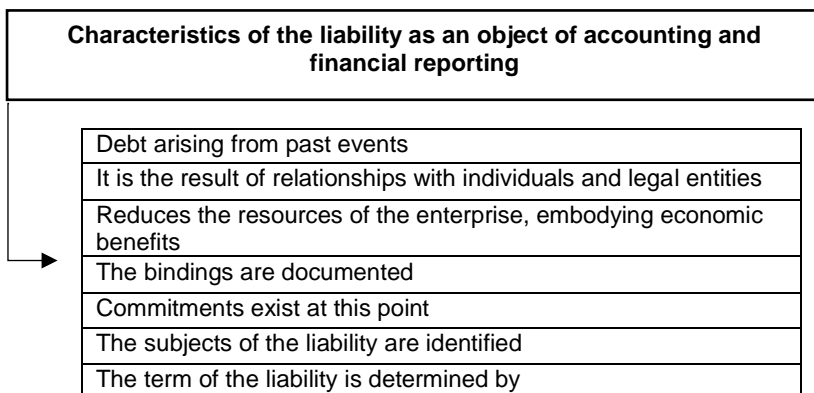


Fig. 2.4. Characteristics of the liability as an object of accounting and financial reporting

Source: <sup>333</sup>

Cost measurement of liabilities is carried out in compliance with the principles of a single monetary meter, historical (actual) cost and diligence, which makes it possible to more reliably assess liabilities as an object of accounting for the purposes of their subsequent reflection on accounts and in reporting. Business transactions related to the emergence, transformation and termination of liabilities are registered on accounts based on the principle of full coverage, compliance with the accrual of revenue and expenses, as well as on the principle of the prevalence of essence over the form, which makes it possible to adequately use synthetic and analytical accounting accounts.

Reflection of the liabilities of the enterprise, as well as the results of operations related to their occurrence, transformation and termination, in the reporting of the enterprise requires compliance with the principles of frequency, prudence and full coverage, which ensures an increase in the quality of accounting information regarding the liabilities of the enterprise, its completeness and comparability.<sup>334</sup>

<sup>333</sup> Chernikova I.B., Gladiy I.O. Theoretical foundations of accounting for current liabilities in the management system. *Economic strategy and prospects for the development of trade and services*. 2018. Issue. 2. pp. 41–51.

<sup>334</sup> Orlov I.V. Accounting and control of liabilities of business entities: theory

Not all liabilities arising in civil and commercial law are recorded in the accounting. The allocation of their limited part from the entire complex of liabilities of the enterprise, which is reflected in the financial statements, implies the qualification of a number of liabilities of business entities for accounting purposes as conditional.<sup>335</sup>

Regulation of liabilities in accordance with the current legislation is carried out according to the following stages of their life cycle:

- the emergence of liabilities;
- fulfillment of liabilities;
- termination of liability.<sup>336</sup>

In modern economic conditions, timely repayment of liabilities is of great importance for the development of economic relations. Violation of the terms of repayment of liabilities reduces the solvency of business entities, adversely affects the rhythm of the functioning of enterprises, affects financial performance, leads to a decrease in profitability. In view of this, it is essential to use reliable, high-quality and adequate information about the emerging debt in the accounting system.

Each business entity must create a system of accounting for liabilities in such a way that it records accounting information on the presence and movement of liabilities in the enterprise as quickly as possible. After all, data on liabilities are the basis for making management decisions and conducting further monitoring and analysis of the state of the enterprise. Therefore, each business entity must constantly carry out activities to improve the accounting of liabilities.<sup>337</sup>

An important factor in the proper organization of accounting for liabilities and their reflection in the financial statements is a correct and detailed classification. The main procedure for classifying liabilities is disclosed in NR(S)A 11 "Liabilities",

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and methodology. Monograph. Zhitomir : Railway Company. 2010. 400 pp.

<sup>335</sup> Ivchenko L.V., Kharchuk V.Y. Liabilities of enterprises as an object of accounting. URL: <https://core.ac.uk/download/pdf/197264477.pdf>

<sup>336</sup> The same source.

<sup>337</sup> The same source.

where they are divided into four groups: long-term, current liabilities, provision of subsequent expenses and payments and deferred revenue (Fig. 2.5).<sup>338</sup>

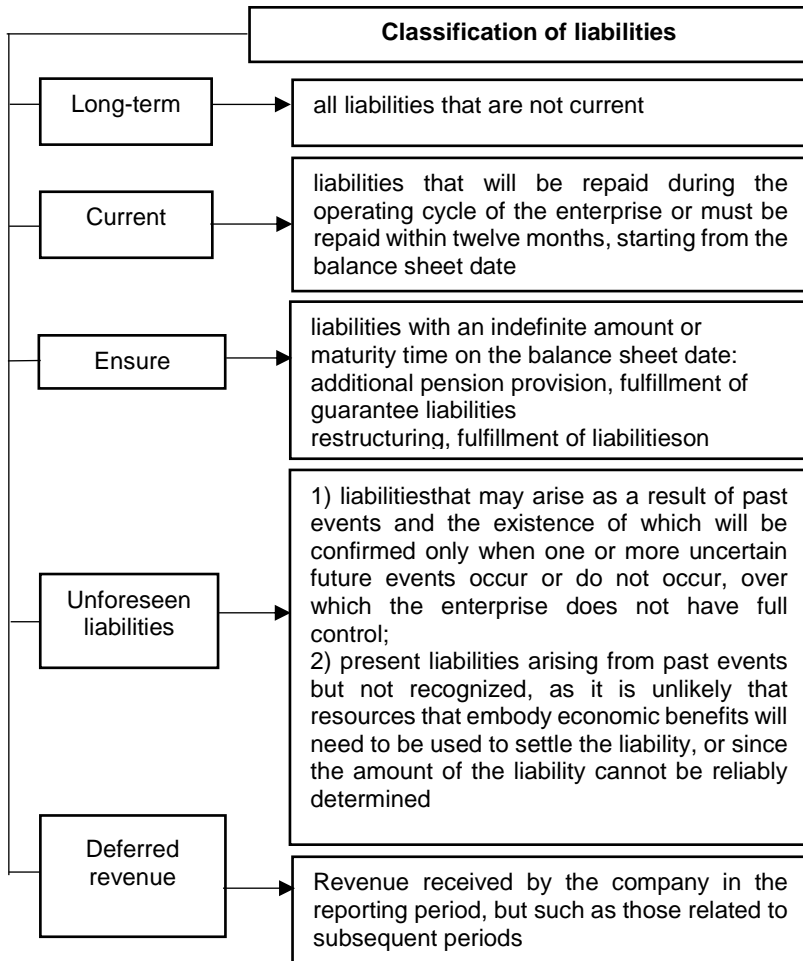


Fig. 2.5. Classification of liabilities according to NR(S)A 11

Source:<sup>339</sup>

<sup>338</sup> National Regulation (standard) of Accounting 11 "Liabilities", approved by the order of the Ministry of Finance of Ukraine dated 31.01.2000 No. 20. URL: <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=z0085-00>

<sup>339</sup> The same source.



At the same time, long-term and current liabilities have an internal, more detailed classification.<sup>340</sup>

Long-term liabilities include: long-term loans from banks; other long-term financial liabilities; deferred tax liabilities; other long-term liabilities; short-term loans of banks; current debt on long-term liabilities; short-term promissory notes issued; accounts payable for goods, works, services; current debt on calculations (from advances received, with a budget, from extrabudgetary payments, on insurance, on remuneration, with participants, on internal calculations); current support; other current liabilities.

A special type of current liabilities is security. Typically, they are created to reimburse future operating expenses for:

- payment of vacations to employees;
- additional pension provision;
- fulfillment of warranty liabilities;
- restructuring, fulfillment of liabilities upon termination of activities;
- fulfillment of liabilities regarding onerous contracts, etc.

Special liabilities are those categories that are very important from the point of view of assessing the impact of the potential consequences of certain events on the prospects for the development of the enterprise. These include, above all, unforeseen liabilities.<sup>341</sup>

Current liabilities include: unforeseen liabilities, despite their conditionality, constitute one of the important categories of accounting and analysis, since they affect the further development of the enterprise. Information about this type of liability is necessary not only for the management staff of the enterprise, but also for investors, creditors and owners.

Unforeseen liabilities are reflected on off-balance sheet accounts and in the Notes to the annual financial statements,

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<sup>340</sup> National Regulation (standard) of Accounting 11 "Liabilities", approved by the order of the Ministry of Finance of Ukraine dated 31.01.2000 No. 20. URL: <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=z0085-00>

<sup>341</sup> Mikhailishin N. P. The essence of liabilities and their classification: economic and legal aspects. *Economics: the realities of time*. 2012. No. 2 (3). P. 130–135.

but for this purpose the possible maturity of such an liability should not be too remote, and the value should be significant, otherwise there will be a question about the expediency of reflecting such an unforeseen liability in accounting.<sup>342</sup>

One of the types of liabilities is deferred revenue. According to the peculiarities of their accounting, it is possible to trace the effect of the principle of accrual and compliance of revenue and expenses. Deferred revenue arises as a result of receiving revenue in the reporting period, but they will be subject to enrollment in their composition in subsequent reporting periods, since they are not provided with appropriate expenses.

In practice, other classification features can be applied (Table 2.5).

In accordance with the grounds on which economic liabilities arise, they are divided into contractual and non-contractual. Contractual liabilities are such liabilities that arise from contracts, and non-contractual liabilities are those arising from damage, unreasonable acquisition or preservation of property. Such a division is necessary for the legislative regulation of liabilities.

According to the possibility of evaluation, liabilities are divided into real and potential (conditional).

Real liabilities arise on the basis of the contract, contract, received invoice. The amount of debt on these liabilities is known, specified in the relevant documents or calculated at established rates, norms, tariffs. Long-term and current liabilities are real. Regarding potential liabilities, the amount and time of future payments are not determined (payment of vacations, warranty repairs). These include security and unforeseen liabilities.

By complexity, liabilities are divided into simple and complex. Simple liabilities are repaid in one payment, and complex ones include a primary liability and a set of secondary liabilities.

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<sup>342</sup> Ometsinskaya I.Y. Features of education and the procedure for recognizing liabilities by type. Accounting and finance of the agro-industrial complex: educational portal. URL: <http://magazine.faaf.org.ua/osoblivosti-utvorenyya-ta-poryadok-viznannya-zobov-yazan-za-vidami.html>

Table 2.5

**Classification of liabilities according to different criteria**

<b>1.</b>	<b>In accordance with the grounds on which economic liabilities arise</b>		
<i>Contracting</i>	Liabilities arising from contracts.	<i>Non-contractual</i>	Liabilities arising in the event of damage, unreasonable acquisition or preservation of property
<b>2.</b>	<b>According to the possibility of evaluation</b>		
<i>Real</i>	Liabilities that arise on the basis of a contract, contract, oder-zhan account (long-term and current)	<i>Potential (conditions)</i>	Liabilities for which the amount and time of future payments are not determined (security and unforeseen liabilities)
<b>3.</b>	<b>By complexity</b>		
<i>Simple</i>	Liabilities repaid in one payment.	<i>Complex</i>	Include primary-non-liabilities and a set of secondary liabilities
<b>4.</b>	<b>Depending on the certainty of the subject</b>		
<i>Single-object</i>	The subject is a well-defined action	<i>Alternative</i>	There is a right to choose one of several actions provided for by the dogo-vor or the law
<b>5.</b>	<b>By type of lenders</b>		
<i>Internal</i>	For the most part, this is wage arrears	<i>External</i>	Liabilities to banks, counterparties, taxes, etc.
<b>6.</b>	<b>By the ratio of rights and liabilities of subjects</b>		
<i>Unilateral</i>	One side has only rights, and the other has only liabilities	<i>Reciprocal</i>	Each participant has both rights and liabilities
<b>7.</b>	<b>By certainty in time</b>		
<i>Limited in time</i>	The deadline is defined	<i>Open-ended</i>	Deadline not defined

Source: <sup>343</sup>

<sup>343</sup> Mikhailishin N.P. The essence of liabilities and their classification: economic and legal aspects. *Economics: the realities of time*. 2012. No. 2 (3). C. 130–135.

Depending on the certainty of the subject of execution, single-object and alternative liabilities are distinguished. As a rule, in single-object liabilities, the subject is well-defined actions, and when the debtor is given the right to choose one of several actions provided for by the contract or law, such liabilities are called alternative.

By currency: liabilities expressed in hryvnias and in foreign currency. In the financial statements, liabilities are reflected only in national currency.

By the ratio of rights and liabilities of subjects: unilateral and mutual. In unilateral liabilities, one party has only rights, and the other has only liabilities. In mutual liabilities, each participant has both rights and liabilities.

By certainty in time: limited in time and indefinite. In time-limited liabilities, the deadline for fulfillment is determined, but in indefinite liabilities it is not defined.

Upon repayment: urgent, overdue and repaid.

By content: debt that has arisen in connection with the supplies of goods, rent, issuance of advances, storage and insurance of goods, the provision of intermediary services, etc.

According to the method of ensuring the fulfillment of liabilities. Fulfillment of liabilities can be ensured by law or contract – a penalty, pledge and surety. In addition, liabilities between citizens or with their participation can be provided with a deposit, and liabilities between organizations – a guarantee.<sup>344</sup>

To recognize liabilities, two conditions must be met in accordance with NR(S)A11:

1. their assessment can be reliably determined;
2. There is a possibility of a decrease in economic benefits due to their repayment.<sup>345</sup>

Evaluation of liabilities play a significant role in the formation of the accounting policy of the enterprise.

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<sup>344</sup> Mikhailishin N.P. The essence of liabilities and their classification: economic and legal aspects. *Economics: the realities of time*. 2012. No. 2 (3). C. 130–135.

<sup>345</sup> National Regulation (Standard) of Accounting 11 "Liabilities" as of January 31, 2000 - URL: <http://zakon5.rada.gov.ua/laws/show/z0085-00>

The application of the principle of prudence, which involves the use of valuation methods in accounting, which should prevent understatement of the amounts of recognized liabilities, is important in assessing liabilities.

Due to the principle of continuity, the assessment of the liabilities of the enterprise is carried out on the basis of the assumption that its activities will continue in the future.

The classification of liabilities according to the possibility of assessment is reflected in Fig. 2.6.

According to NR(S)A 11 “Liabilities” in the Balance Sheet, all current liabilities are reflected in the amount of repayment, that is, the financial statements in the section of current liabilities reflect the amount that will actually be paid when repaying such an liability.<sup>346</sup>

The determination of the present value depends on the conditions and type of liability. The present value reflects long-term liabilities on which interest is accrued: the amount of long-term loans of bond loans of long-term interest bills; long-term rental payments; loans of non-bank financial and credit institutions are subject to discounting.

To determine the book value of liabilities, the following types of estimates are used (Table 2.6).

NR(S)A 11 “Liabilities” states the following. Long-term liabilities on which interest is accrued are reflected in the balance sheet at their present value. The determination of the present value depends on the conditions and type of liability.

Current liabilities are reflected in the balance sheet for the amount of repayment.

The amount of collateral is determined by the accounting estimate of resources (minus the amount of expected compensation) required to repay the corresponding liability on the balance sheet date.

Unforeseen liabilities are reflected in the off-balance sheet accounts of the enterprise according to the accounting assessment.

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<sup>346</sup> National Regulation (Standard) of Accounting 11 “Liabilities” as of January 31, 2000 - URL: <http://zakon5.rada.gov.ua/laws/show/z0085-00>

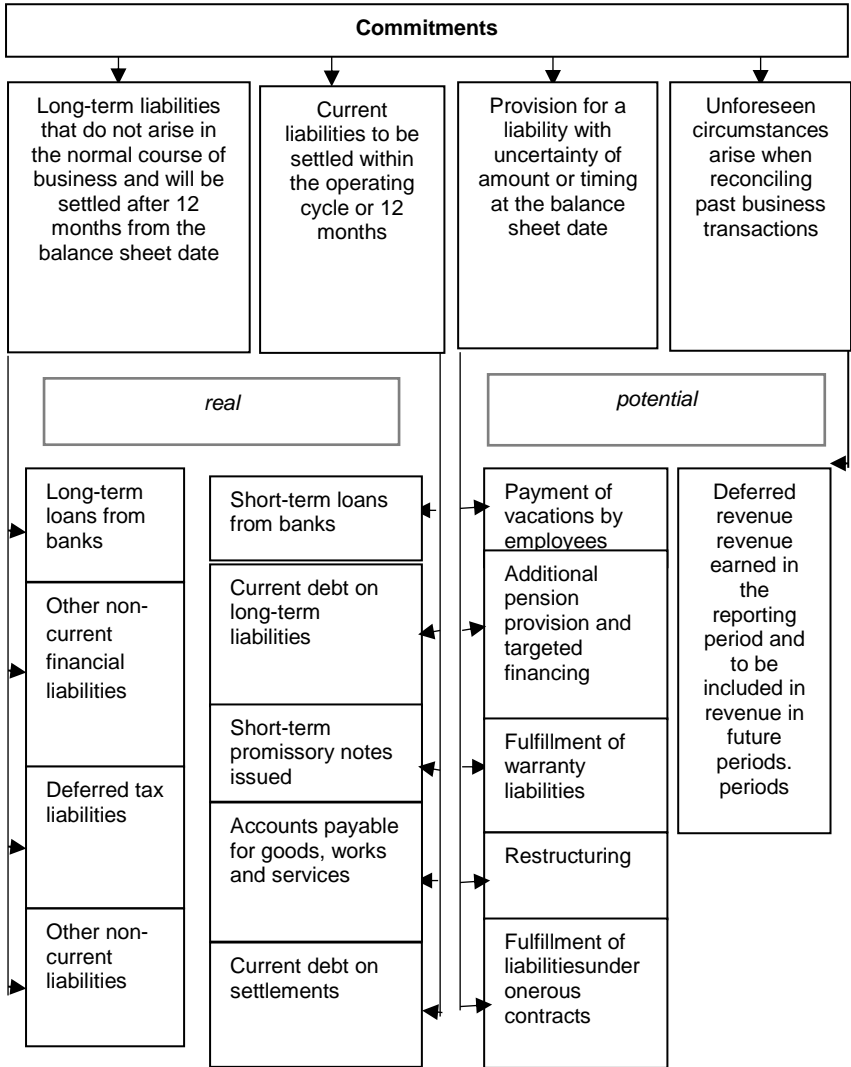


Fig. 2.6. Classification of liabilities by appraisal possibility

Table 2.6

### Types of estimates of the book value of liabilities

Type of liability	Score (reflected in the financial statements)
Long-term	Present value is a discount on the amount of future payments (minus the amount of expected compensation), which will be required to repay the liability in the course of the usual activities of the enterprise.
Current	Repayment amount – an undiscounted amount of cash or cash equivalents that is expected to be paid to repay the liability in the course of the usual activities of the enterprise – the nominal amount of debt (the bulk of the debt).
Securing liabilities	Analytical or expert assessment.
Unforeseen Circumstances	Accounting assessment.
Future revenues periods	Accounting assessment.

If on the balance sheet date the previously recognized liability is not repaid, then its amount is included in the revenue of the reporting period.<sup>347</sup>

It is worth noting that borrowed resources are a rather difficult and complex object of accounting. It is rather difficult to reveal their essence and signs of classification if we consider only from the point of view of accounting. In such a situation, it is very important to look more broadly at the sources of origin of the corresponding liability and all the processes that are associated with its occurrence.

In order for an enterprise to correctly determine the choice of a particular feature of the classification of liabilities, it is important to weigh the sources of its origin and remember that it is based not only on its accounting origin, but, above all, on a number of legal relations that lead to the emergence of relationships.<sup>348</sup>

<sup>347</sup> National Regulation (Standard) of Accounting 11 "Liabilities" as of January 31, 2000 - URL: <http://zakon5.rada.gov.ua/laws/show/z0085-00>

<sup>348</sup> Rasenko V.M. Features of the classification of liabilities of enterprises. *Bulletin of Socio-Economic Research*. 2012. Issue 2 (45). pp. 163-170.

## 2.2. Organization of accounting of equity capital

Primary documents of equity accounting operations are accounting certificates drawn up in a free form. General requirements for primary documents, accounting registers and financial statements establish the Regulation on documentary support of records in accounting .

The organization of primary accounting begins with the study of the composition of accounting nomenclatures (Table 2.7).

Primary accounting of equity characterizes the moments of the investment process (contributions, acquisition of rights, etc.) or the choice of leaving the company's participants, covering losses, etc.<sup>349</sup>

To account for changes in equity related to the movement of fixed assets, materials, cash, use primary documents approved for the corresponding type of assets.

General requirements for primary documents, accounting registers and financial statements establish the Regulation on documentary support of records in accounting.

Primary documents are written certificates that record and confirm business transactions, taking into account the orders and permissions of the administration (owner) for their execution. Primary documents are drawn up on forms of standard forms approved by the Ministry of Statistics of Ukraine, as well as on forms of specialized forms approved by ministries and departments of Ukraine. During the preparation of primary documents to give them legal force and evidence, it is necessary to monitor their correct execution, that is, the presence of all the details, such as the name of the enterprise, institution on whose behalf the document was drawn up, the name of the document (form), the form code, the date and place of compilation, the content of the business transaction and its measurements (in kind and value terms), positions, surnames and signatures of persons, responsible for the permission and implementation of a business transaction, as well as the preparation of a primary document. Primary documents for

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<sup>349</sup> Melen O.V., Mastruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol. 18. pp. 371–375.



Table 2.7

**The list of accounting nomenclatures in the organization  
of accounting for the authorized (registered) capital**

Characteristic data for accounting	Using credentials	Measuring devices		In which storage media appear for the first time	Notes
		natural	monetary		
The total size of the statutory Capital	For the formation and accounting of the size of the authorized capital		+	Minutes of the meeting of founders	
Quantity Founders	For the formation of analytics of the authorized capital	+		Minutes of the meeting Founders	
The size of the defined particles Founders	To form an analysis of the authorized capital, determine the amount of unpaid capital		+	Minutes of the meeting of founders	
Amounts of actually contributed shares	Determination of debt on contributions to the authorized capital	+	+	Bank statement, property appraisal acts	
Changes in the amount of the statutory Capital	For reflection in synthetic and analytical accounting		+	Minutes of the meeting of founders	

*Source:* <sup>350</sup>

accounting for transactions with equity, in accordance with the changes that cause business transactions in the composition of assets and liabilities of the enterprise can be divided into groups (Fig. 2.7).

Let us consider in more detail the changes that occur in the components of equity capital and their documentation in accordance with the current legislation (Table 2.8).

The essence of business transactions with components of equity is determined on the basis of NR(S)A and the Instruction to the Chart of Accounts.<sup>351</sup>

<sup>350</sup> Kundrya-Vysotska O.P., Moskalenko O.V., Sulyma O.M. Organization of accounting: textbook. manual. K.: UBS NBU, 2015. 336 p.

<sup>351</sup> Voskalo N. M. Documentation of equity accounting operations. *Scientific*

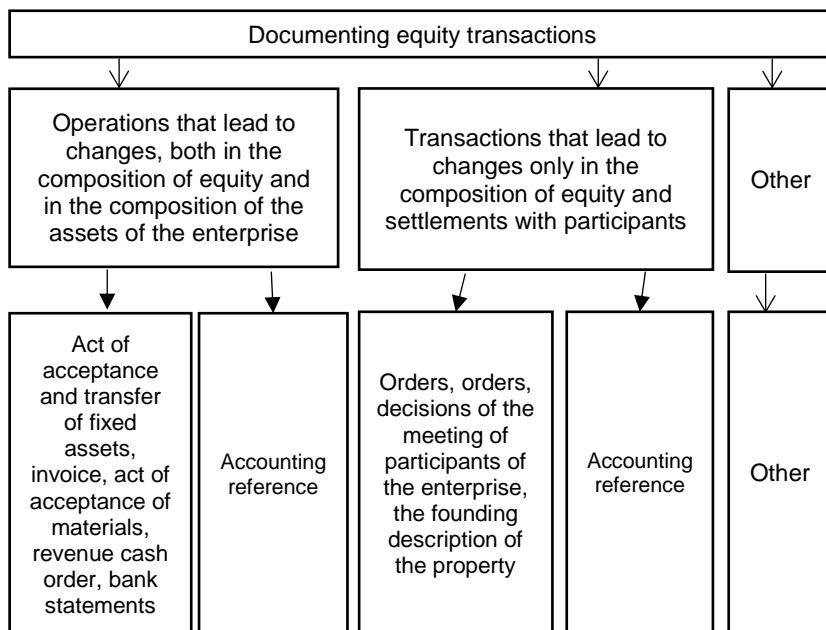


Fig. 2.7. Documenting equity transactions

Source: <sup>352</sup>

Consider the features of documenting operations with liabilities at the stages of the life cycle of the enterprise (Fig. 2.8).

Stage of origin (creation). At this stage, the formation of the authorized capital takes place. If we are talking about a joint-stock company, then the company issues shares in an amount equal to the size of the authorized capital. Transactions with equity are confirmed by the following documents: regulations, inventory description, act of acceptance and transfer and evaluation, overlay, revenue cash order, disbursement cash order, decisions of owners, registration of the decision in the state register, etc. <sup>353</sup>

*Bulletin of NLTU of Ukraine*. 2009. Issue. 19.11. pp. 126–134.

<sup>352</sup> Voskalo N.M. Documentation of equity accounting operations. *Scientific Bulletin of NLTU of Ukraine*. 2009. Issue. 19.11. pp. 126–134.

<sup>353</sup> Petrenko N.I., Stolyarenko O.M. Documentation of operations with equity

Table 2.8

**Primary documents on accounting for transactions with equity**

Business transaction	Document	Impact of the transaction on equity
Change in accounting policy	Accounting certificate	Increases or decreases retained earnings (uncovered loss)
Correcting errors	Accounting certificate	Increases or decreases retained earnings (uncovered loss)
Revaluation of property, plant and equipment, construction in progress and intangible assets	Accounting certificate	Increases or decreases other additional paid-in capital
Disposal of previously revalued non-current assets	Act of acceptance and transfer of fixed assets, accounting certificate	Decrease in additional paid-in capital and increase in retained earnings
Increase in authorized capital through indexation of fixed assets	Resolution of the shareholders' meeting, new version of the charter	Increases authorized capital and decreases other additional paid-in capital
Determination of the financial result for the reporting period	Accounting certificate	Recognition of profit or loss
Distribution of profits: Distributions to owners (dividends)	Resolution of the shareholders' meeting	Decrease in retained earnings
contributions to the reserve capital		Decrease in retained earnings and increase in reserve capital
Allocation of profit to the authorized capital	Resolution of the shareholders' meeting, new version of the charter	Decrease in retained earnings and increase in share capital

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and liabilities at the stages of the life cycle of the enterprise. *Bulletin of Khmelnytsky National University*. 2015. No. 1. pp. 127–132.

Registration of authorized capital	Charter	Increase in authorized (share) capital and unpaid capital
Sale of shares at a price higher than the nominal value	Founders' agreement	Increase in unpaid capital and additional paid-in capital
Repurchase of shares (stakes)	Decision of the founders, expense cash order, bank statement	Increase in retired capital
Resale of treasury shares	Certificate of acceptance and transfer of fixed assets, invoice, act of acceptance of materials, cash receipt, bank statement, accounting certificate	Decrease in withdrawn capital, increase (decrease) in additional capital, decrease in profit
Cancellation of treasury shares	Decision of the founders, accounting certificate	Decrease in authorized capital, treasury stock, additional paid-in capital and retained earnings
Repayment of capital debt:		
in cash	Bank statement	Reduction of unpaid capital
fixed assets	The act of acceptance transfer of fixed assets	
intangible assets	Act of putting into economic circulation an object of intellectual property rights as part of intangible assets	
production Supplies	Certificate of acceptance of materials, invoice	
Excess of actual contributions to the authorized capital by shareholders over its debt	Accounting certificate	Increase in share premium or other invested capital
Settlement with a shareholder in a business company in case of his/her withdrawal	Decision of the founders, accounting certificate	Increase in retired capital, decrease in profit, decrease in reserve capital (under certain conditions)

Reduction of the nominal value of shares	Resolution of the shareholders' meeting, new version of the charter	Reduction of authorized capital, increase of additional capital (under certain conditions)
Write-off of unrecovered losses at the expense of: share capital	Decision of the founders	Reduction of losses and reduction of share capital
other invested capital		other invested capital
reserve capital		reserve capital
assets received for free	Certificate of acceptance and transfer of fixed assets	Increase in other additional paid-in capital
Recognition of revenue from a donated non-current asset	Calculation of depreciation, accounting certificate	Decrease in other additional paid-in capital

*Stage of growth (formation).* In terms of equity, there is an increase or decrease in the authorized capital (additional issue of shares or cancellation of already issued shares) and the documents are: decisions of the owners, minutes of shareholders' meetings, orders, bank statement.<sup>354</sup>

*Stabilization (top of activity).* At this stage, the company becomes profitable, and usually reaches the maximum level of profit for the entire period of the life cycle. Documents on transactions with equity: calculation of accounting, certificate of accounting, decisions of the owners, minutes of shareholders' meetings, orders.<sup>355</sup>

*Stage of recession (decline).* At this stage of the life cycle, the company completes its activities, which is why it is necessary to distribute the shares of the authorized capital between the owners. It is also necessary to repay the debt to creditors and borrowers. If we are talking about a joint-stock company, the company should buy out and cancel all the shares

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<sup>354</sup> Petrenko N.I., Stolyarenko O.M. Documentation of operations with equity and liabilities at the stages of the life cycle of the enterprise. *Bulletin of Khmelnytsky National University*. 2015. No. 1. pp. 127–132.

<sup>355</sup> The same source.

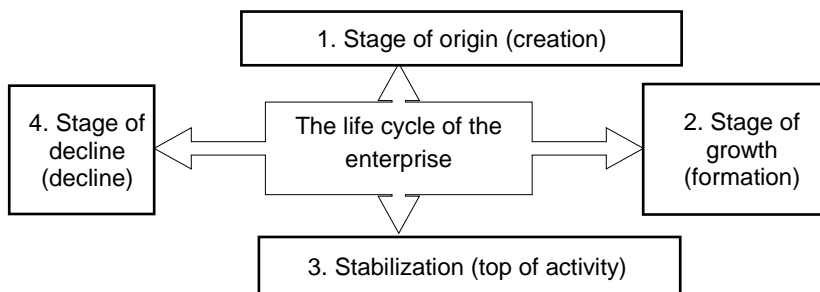


Fig. 2.8. Stages of the enterprise life cycle

Source: <sup>356,357</sup>

issued by them, the basis for this is: the Charter, decisions of the owners, minutes of shareholders' meetings, orders, a statement of dividend accounting, disbursement cash order, payment order, business contracts, calculation of accounting, revenue cash order, cashier's report, bank statement. <sup>358</sup>

However, the above list of documents is not exhaustive, since it is necessary to take into account the peculiarities of the activities of each business entity (organizational and legal form, type of economic activity, scale of activity, presence of foreign economic relations, etc.). <sup>359</sup>

Most carriers of primary accounting nomenclatures are determined centrally in albums of primary documents. If there is no such carrier, it is developed independently on an individual basis and approved in the manner prescribed by law. For each carrier of primary accounting, a workflow schedule is drawn up. <sup>360</sup>

<sup>356</sup> Blank I.A. Asset Management. K. : Nika-Tsentr, 2000. 720 p.

<sup>357</sup> Koryagina S.V. Economic assessment and planning of the life cycle of enterprise development: autoref. Dis. for the sciences. degree of cand. econ. Sciences: special. 08.06.01 "Economics, organization and management of enterprises". Lviv: Publishing house of Lviv Polytechnic National University, 2004. 21 p.

<sup>358</sup> The same source.

<sup>359</sup> Petrenko N.I., Stolyarenko O.M. Documentation of operations with equity and liabilities at the stages of the life cycle of the enterprise. *Bulletin of Khmelnytsky National University*. 2015. No. 1. pp. 127–132.

<sup>360</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for

The workflow schedule at the enterprise should ensure the optimal number of units and executors through which each primary document on equity accounting passes, determine the minimum period of its stay in the unit, as well as contribute to the improvement of accounting work, strengthening the control functions of accounting, increasing the level of its mechanization and automation.<sup>361</sup>

The workflow schedule is drawn up in the form of a scheme or a list of works on the preparation, verification and processing of documents on equity accounting, which are performed by a certain sub-division of the enterprise, as well as by all performers, with the definition of their relationship and timing of work.<sup>362</sup>

Special attention should be paid to the storage of documents in the enterprise, which reflect the operations on the formation and use of equity components. Primary documents that have been processed, as well as reporting forms, are subject to mandatory transfer to the archive. The archive should be organized in such a way that the preservation of documents and the possibility of their quick finding are ensured in order to obtain the necessary information for the needs of the founders, shareholders, etc. To do this, the primary documents on the accounting of equity of the reporting month that have been processed are completed in separate folders, intertwined and accompanied by the appropriate certificate for the archive.<sup>363</sup>

Cases on equity accounting are issued from the archive only by decision of the chief accountant, and in some cases – by decision of the forensic investigators, auditing, tax authorities and with the permission of the head of the enterprise. The

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equity of enterprises. *Market infrastructure*. 2018. V.18. pp. 371–375.

<sup>361</sup> Korkushko O.N. Organization of accounting of equity capital at agricultural enterprises. *Scientific works of Poltava State Agrarian Academy: Economic Sciences*. Poltava. 2013. No. 1 (6), vol. 3. pp. 158–165.

<sup>362</sup> Marenych T.G. Accounting in agricultural formations: textbook / ed. V. Y. Ambrosova. 2nd ed., reported. and reworked. K. : Publishing House “Professional”, 2005. 896 p.

<sup>363</sup> Korkushko O.N. Organization of accounting of equity capital at agricultural enterprises. *Scientific works of Poltava State Agrarian Academy: Economic Sciences*. Poltava. 2013. No. 1 (6), vol. 3. pp. 158–165.

seizure of documents is drawn up by a protocol (act), a copy of which is handed over against receipt to the official responsible for the archive, and in the archival book they make appropriate notes. An official of the enterprise has the right, in the presence of representatives of the bodies engaged in the seizure, to remove copies of the seized documents. It is mandatory to draw up a register of documents to be withdrawn.<sup>364</sup>

Current accounting is understood as the processing, registration and recording of primary accounting data, that is, information carriers, into accounting registers, grouping and regrouping them in order to obtain the necessary result information.<sup>365</sup>

The organization of current accounting also begins with the study of the composition of regional nomenclatures, which should be reflected, but already in the system of accounting registers and various settlement forms.<sup>366</sup>

The formation of accounting nomenclatures of current accounting is more difficult than the primary. The basis of the organization of current accounting is determined by analytical and synthetic accounting. The main carriers of current accounting of equity are registers of analytical accounting for objects and synthetic accounting for accounts, subaccounts and signs, levels of generalization. The organization of synthetic accounting of the first order occurs on the basis of the system, which is provided for by the chart of accounts with further detail.<sup>367</sup>

The organization of analytical accounting of equity is quite important for the enterprise, since the correctness of

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<sup>364</sup> Korkushko O.N. Organization of accounting of equity capital at agricultural enterprises. *Scientific works of Poltava State Agrarian Academy: Economic Sciences*. Poltava. 2013. No. 1 (6), Vol. 3. pp. 158–165.

<sup>365</sup> Muzychenko T.O. Organization of the accounting process of the components of equity. *Efficient economy*. 2015. No. 6. URL: <http://www.economy.nayka.com.ua/?op=1&z=4158>.

<sup>366</sup> Ospishcheva V.I. *Finance: a course for financiers: a textbook*. Kyiv, 2008. 567 p. URL: [http://pidruchniki.com/12590605/finansiv/osnovi\\_organizatsiyi\\_finansiv\\_pidpriyemstv](http://pidruchniki.com/12590605/finansiv/osnovi_organizatsiyi_finansiv_pidpriyemstv).

<sup>367</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol. 18. pp. 371–375.



determining the share of each owner (participant) and avoiding disputes in the future depends primarily on analytical accounting.

Analytical accounting of the authorized capital is conducted for each founder (participant, shareholder). Analytical accounting of share and additional capital is conducted by type of capital.

The organization of analytical accounting of reserve capital should provide information on its formation and directions of use.

Analytical accounting of unpaid capital is carried out according to the types of unpaid shares placed (for joint-stock companies) and for each founder (participant) of the enterprise. According to this account, managers can be provided with information on the amount of debt of the founders and the amount of its repayment.

In the areas of use, analytical accounting of retained earnings is kept. In addition, managers should be provided with information on: the presence and movement of retained earnings of the enterprise, the write-off of uncovered losses at the expense of retained earnings, the amount of profit distributed among the owners.

In order for managers to obtain information about the actual cost of shares of their own issue or shares purchased by a business company from its participants, canceled or resold shares (shares) of the enterprise, analytical accounting of the withdrawn capital should be organized by type of shares (deposits, units).<sup>368</sup>

Information on the status and movement of the constituent elements of equity is summarized in the accounting system of the enterprise. Accounting for equity is organized in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and the Regulations (Standards) of Accounting.

To account for the authorized and share capital, capital in revaluations, additional, reserve, withdrawn, unpaid, as well as retained earnings (uncovered losses) by the Plan of accounts for accounting of assets, capital, liabilities and business

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<sup>368</sup> Butynets F.F., Voinalovich O.P., Tomashevskaya I.L. Organization of accounting: Textbook for students. Zhytomyr: "Ruta", 2005. 528 p.

operations of enterprises and organizations (with amendments and additions made in accordance with the Orders of the Ministry of Finance as of 18.03.2014) accounts of the 4th class are provided (Table 2.9).<sup>369</sup> The credit of capital accounts reflects an increase in its corresponding elements, and a decrease in debit.

*Table 2.9*

**Characteristics of accounting equity's accounts in the enterprise**

Synthetic accounts		Subrachunki		Debit	Credit
Code	Name	Code	Name		
40	Registered (share) capital	401	Authorized capital	Reduction of the registered (authorized, share, capital of private enterprises), as well as cancellation of shares of own issue and shares of founders when leaving the company	Formation and increase in the size of the registered authorized and share capital, capital of private enterprises), as well as contributions to the announced, but not yet registered authorized capital
		402	Share capital		
		403	Other registered capital		
		404	Contributions to unregistered authorized capital		
41	Capital in revaluations	411	Revaluation (markdown) of fixed assets	Reflection of the amount of markdown or disposal of non-current assets and financial instruments in case of a decrease in their	The amount of revaluation of non-current assets and financial instruments
		412	Revaluation (markdown) of intangible assets		
		413	Revaluation (markdown) of financial instruments		

<sup>369</sup> On approval of the Plan of accounts of accounting and instructions for its application: order of the Ministry of Finance of Ukraine dated 30.11.1999 No. 291. URL: <http://zakon4.rada.gov.ua/laws/show/ z0892-99>.

		414	Other capital in revaluations	usefulness	
42	Additional capital	421	Emission revenue	Reducing the components of additional capital	Reflection of the amounts by which the cost of sale of issued shares exceeds their nominal value, as well as the value of non-current assets received free of charge by the enterprise from other persons, and other types of additional capital
		422	Other invested capital		
		423	Accumulated exchange rate differences		
		424	Non-current assets received free of charge		
		425	Other additional capital		
43	Reserve capital		By type of reserves	Use of reserves (increase in registered authorized or share capital, covering losses of the enterprise, etc.)	Creation and increase of the size of reserve capital due to annual deductions from retained earnings of the enterprise, additional capital, etc.
44	Retained earnings (uncovered losses)	441	Retained earnings	Reflection of losses and use of profits (increase in registered authorized or share capital, accrual of dividends, reflection of part of the	Increase retained earnings
		442	Uncovered losses		
		443	Profit used in the reporting period		

				profit owned by the founder when leaving the company, uncovered loss of the enterprise)	
45	Withdrawn capital	451	Withdrawn shares	The actual value of shares of its own issue or shares purchased by a business company from its participants	Reflection of the receipt of funds from the resale of shares (shares), as well as the value of canceled shares (shares)
		452	Withdrawn deposits and shares		
		453	Other withdrawn capital		
46	Unpaid capital		By type of capital	Reflects the debt of the founders (participants) on contributions to the registered (share) capital of the enterprise	Repayment of debts of founders (participants) on contributions to the registered authorized or share capital of the enterprise

Source: <sup>370,371</sup>

In accounting, the value of the registered (share) capital is reflected in the account of the same name 40 “Registered (share) capital” in the context of subaccounts.

<sup>370</sup> Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business transactions of enterprises and bodies : order of the Ministry of Finance of Ukraine dated 30.11.1999 No. 291 URL: <http://zakon4.rada.gov.ua/laws/show/ z0893-99>.

<sup>371</sup> On approval of the Plan of accounts of accounting and instructions for its application: order of the Ministry of Finance of Ukraine dated 30.11.1999 No. 291. URL: <http://zakon4.rada.gov.ua/laws/show/ z0892-99>.

Account 41 “Capital in revaluations” has the following subaccounts:<sup>372</sup>

411 “Revaluation (markdown) of fixed assets”

412 “Revaluation (markdown) of intangible assets”

413 “Revaluation (markdown) of financial instruments”

414 “Other capital in revaluations”.

Subaccount 411 “Revaluation (markdown) of fixed assets” summarizes information on revaluation of fixed assets, markdowns of such objects within the amounts of previously conducted revaluations, attribution of revaluation amounts to retained earnings.

Subaccount 412 “Revaluation (markdown) of intangible assets” summarizes information on the revaluation of intangible assets, the markdown of such objects within the amounts of previously conducted revaluations, the assignment of revaluation amounts to retained earnings.

Subaccount 413 “Revaluation (markdown) of financial instruments” summarizes information on changes in the book value of the hedging object by assigning the cash flow efficiency ratio within the limits determined by national accounting regulations (standards) and attributing amounts to the initial value of financial assets or financial liabilities or to other revenue (expenses).

Subaccount 414 “Other capital in revaluations” summarizes information about other capital in revaluations that are not reflected in other subaccounts.

The incoming balance on the subaccounts of account 41 “Capital in revaluations” is formed by transferring the relevant information from account 42 “Additional capital”.

To summarize information about other types of equity, the Account Plan provides for account 42 “Additional Capital”. Account 42 “Additional Capital” is intended to summarize information about the amounts by which the cost of selling issued shares exceeds their nominal value, as well as on the amounts of revaluation of assets and the value of non-current assets received free of charge by the enterprise from other

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<sup>372</sup> Kundrya-Vysotska O.P., Moskalenko O.V., Sulyma O.M. Organization of accounting: textbook. manual. K.: UBS NBU, 2015. 336 p.

persons, as well as other types of additional capital.<sup>373</sup>

The reserve capital of the enterprise is recorded on account 43 “Reserve capital” by type of reserves.

To account for information on retained earnings and uncovered losses, account 44 “Retained earnings (uncovered loss)” is used.

It is worth noting that some accounts and class 4 subaccounts do not have an independent value, but are used as regulatory ones in determining the elements of equity reflected in the first section of the liability of the Balance Sheet (Statement of Financial Condition). In particular, the amounts of registered paid capital and retained earnings (uncovered loss) included in the total of section 1 “Equity”. These are accounts: 45 “Withdrawn capital”; 46 “Unpaid Capital”; 443 “Profit used in the reporting period”.

Thus, accounts 45 “Withdrawn capital” and 46 “Unpaid capital” have only a debit balance, which, when determining the amount of registered paid capital, is deducted from the amounts accumulated on the credit of accounts 40 “Registered (share) capital” and 42 “Additional capital”.<sup>374</sup>

Subaccount 443 “Profit used in the reporting period” reflects the distribution of profits between owners (accrual of dividends), payments on bonds, deductions to reserve capital and other use of profits in the current period. At the end of the year, this subaccount is closed on subaccount 441 “Retained Earnings” or on the debit of subaccount 442 “Uncovered Losses” (with negative performance). In the Balance Sheet (Statement of Financial Condition), the amount of uncovered loss is given in brackets and is calculated when determining the total equity.<sup>375</sup>

The organization of the final (generalizing) accounting begins with the identification of the composition of the accounting nomenclatures, which should be reflected in the corresponding final carriers of accounting information. These nomenclatures

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<sup>373</sup> Kundrya-Vysotska O.P., Moskalenko O.V., Sulyma O.M. Organization of accounting: textbook. manual. K.: UBS NBU, 2015. 336 p.

<sup>374</sup> Chmil G.L. Equity of the enterprise: methodological aspects of accounting. *Trade, commerce, entrepreneurship*. 2014. Issue. 16. pp. 152–158.

<sup>375</sup> The same source.

are a system of indicators characterizing the state and change in the state of economic facts, namely phenomena and processes, as well as assets, liabilities, expenses, revenue and performance.

Accounting nomenclatures of generalizing accounting of equity capital are formed in accordance with the generalized data of the balance sheet of the reporting period, indicators of intra-business, financial, statistical and tax reporting. The organization of generalizing accounting depends on the quality of the organization of primary and current accounting of the enterprise.<sup>376</sup>

The final stage of accounting is the preparation of financial statements. Information on equity is presented in various forms of reporting: form No. 1 “Balance sheet (Statement of financial position)”, form No. 2 “Statement of financial results (Statement of total revenue)”, form No. 4 “Statement of equity”.<sup>377</sup>

The main carrier of generalizing accounting is the balance sheet, which is compiled in the generally accepted form. Other carriers of generalizing accounting are various accumulative statements, tables in which final data are formed for the needs of management and the preparation of various forms of reporting.<sup>378</sup>

In the Balance Sheet, equity is displayed in the first section of the liability. When filling in the balance sheet items, the balances of the corresponding accounts are transferred to them (Table 2.10).<sup>379</sup>

In the Statement of Financial Results, information on equity is presented in Section II “Total Revenue”. Total revenue is changes in equity during the reporting period as a result of business transactions and other events (with the exception of changes in capital due to transactions with owners).

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<sup>376</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol. 18. pp. 371–375.

<sup>377</sup> Beskorovaina L. V. Features of accounting for equity in enterprises. *Global and national problems of the economy*. 2015. Issue. 4. pp. 950–954.

<sup>378</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol. 18. pp. 371–375.

<sup>379</sup> Beskorovaina L. V. Features of accounting for equity in enterprises. *Global and national problems of the economy*. 2015. Issue. 4. pp. 950–954.

Table 2.10

**The relationship between articles of 1st section in the  
Balance Sheet (Statement of Financial Condition) of the  
liability and accounts**

Article title	String code	Account code
Registered capital	1400	40 (excluding subaccount 404)
Capital in revaluations	1405	41
Additional capital	1410	42
Reserve capital	1415	43
Retained earnings (uncovered loss)	1420	441 (442)
Unpaid capital	1425	46
Withdrawn capital	1430	45

Source: <sup>380</sup>

When filling in the relevant lines of section II of the Statement of Financial Results, the balances of the corresponding accounts are used (Table 2.11).

The availability and changes in equity are most fully represented in the Equity Statement.

The formation of data for the form of financial statements “Equity Statement” and notes to financial statements is the most time-consuming work on the organization of the nomenclature. The preparation of the Equity Statement is regulated by methodological recommendations for filling out financial reporting forms. The purpose of the equity report is to provide users of financial statements with complete, truthful and unbiased information about changes in the composition of the company’s equity during the reporting period.<sup>381</sup>

When filling out this reporting form, part of the information is transferred from other reporting forms, namely: the balance by type of equity at the beginning and end of the year – from the Balance Sheet; net profit and other total revenue for the reporting period – from the Statement of Financial Results.<sup>382</sup>

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<sup>380</sup> Beskorovaina L. V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>381</sup> Melen O.V., Maistruk O.D. Features of the organization of accounting for equity of enterprises. *Market infrastructure*. 2018. Vol.18. pp. 371–375.

<sup>382</sup> Beskorovaina L. V. Features of accounting for equity in enterprises. Global



Table 2.11

**The relationship between articles of 2nd section in the  
Statement of financial results (Statement of total revenue)  
and accounts**

Article	code	Account code or settlement procedure
Revaluation (markdown) of non-current assets	2400	411, 412
Revaluation (markdown) of financial instruments	2405	413
Accumulated exchange rate differences	2410	423
Share of other total revenue of associates and joint ventures	2415	Turnovers on subaccount 425 (in terms of the share of other total revenue of associated and joint ventures)
Other total revenue	2445	42 (excluding subaccount 423)
Other total revenue before tax	2450	I.2400 + I.2405 + I.2410 + I.2415 + I.2445
Revenue tax associated with other aggregate revenue	2455	I. 2450*0,18
Other total revenue after tax	2460	I. 2450–p.2455
Total revenue	2465	I. 2350 + I. 2355 + I. 2460

Source: <sup>383</sup>

Notes to the financial statements reflect the elements of equity (except for the authorized), their terms of use and purpose. <sup>384</sup>

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and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>383</sup> Beskorovaina L. V. Features of accounting for equity in enterprises. Global and national problems of the economy. 2015. Issue. 4. pp. 950–954.

<sup>384</sup> Koval L.V., Arsenyuk A.V. Influence of accounting information on equity on management decisions. *Efficient economy*. 2017. No. 6. URL: <http://www.economy.nayka.com.ua/?op=1&z=5632>.

## 2.3. Organization of accounting of liabilities

Liabilities to the bank are liabilities to pay the loans received and interest rates for the loan and liabilities to pay for servicing the bank's settlement accounts of the enterprise, which should be reflected in the accounting and reporting.<sup>385</sup>

Accounting of credit operations, as a source of providing managers with economic information, needs a rational organization, which has always been a determining factor in the development of the information system of the enterprise.

From the standpoint of the organization of accounting in an enterprise, a loan is understood as the liabilities of an enterprise, that is, debt arising as a result of past events, the repayment of which in the future will lead to a decrease in the resources of the enterprise, embodying economic benefits.

The purpose of accounting and preparation of financial statements on liabilities to the bank is to provide users for decision-making with complete, truthful and unbiased information about the status and repayment of such liabilities, which affects the determination of the financial condition of the enterprise. In general, the stages of accounting accounting for transactions with loans are presented in Fig. 2.9.

The organization of accounting for loans is influenced by the type of loan and the form of its repayment.

Today, there are various types of loans, the main analytical features of which are:

- for subjects of credit relations (commercial, banking, state, consumer, international);
- according to the form of borrowed value (commodity, monetary, mixed), by maturity (short-term, long-term);
- by type of currency (in national, foreign currency).<sup>386</sup>

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<sup>385</sup> Cheban Y. Accounting for liabilities to the bank: legislative and regulatory aspects and directions of improvement. *Global and national problems of the economy*. 2015. Issue 4. pp. 1060–1065.

<sup>386</sup> Kirilleva L.O. Organization of accounting of credit operations in the system of financial resources management. *Economic strategy and prospects for the development of trade and services*. 2015. Issue. 2. pp. 7–16.

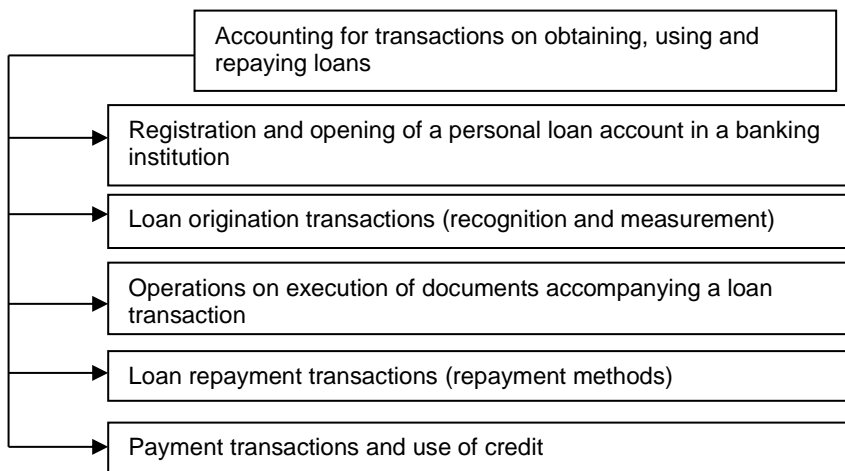


Fig. 2.9. Credit operations in the system of organization of accounting in the enterprise

Source: <sup>387</sup>

The main tasks of the organization of accounting liabilities to the bank are shown in Fig. 2.10.

Transactions on loans received in accounting are regulated by the following regulatory and legislative documents:

- NR(S)A 11 “Liabilities”;
- NR(S)A 16 “Expenses”;
- NR(S)A 31 “Financial expenses”;
- NR(S)A 21 “Impact of changes in exchange rates”.

In addition, the company needs to develop internal organizational regulations. <sup>388</sup>

The main internal economic document of the enterprise for the organization of accounting is the Order on accounting policy, which regulates the organizational, technical and methodological aspects of accounting.

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<sup>387</sup> Kirilleva L.O. Organization of accounting of credit operations in the system of financial resources management. *Economic strategy and prospects for the development of trade and services*. 2015. Issue. 2. pp. 7–16.

<sup>388</sup> The same source.

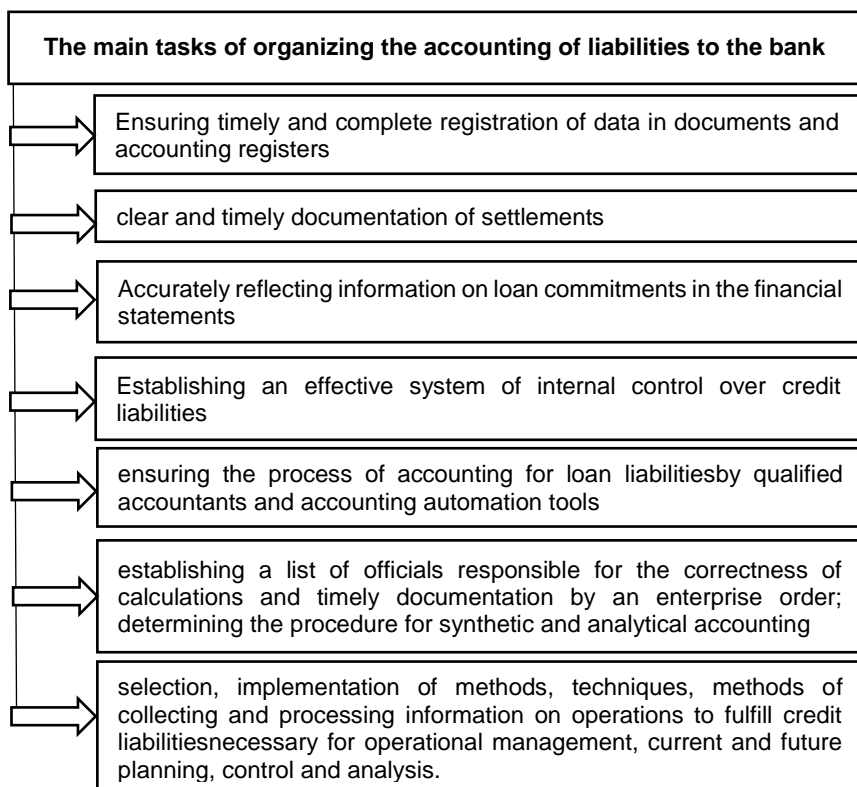


Fig. 2.10. The main tasks of the organization of accounting liabilities to the bank

Source: formed by authors based on <sup>389</sup>

The content of the accounting policy regarding credit operations should disclose its elements such as:

- types of loans used by the enterprise;
- loan repayment scheme (annuity or on the balance of debt);
- methods of credit assessment and recognition;
- documentary support for the accounting of loans;

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<sup>389</sup> Cheban Y. Accounting for liabilities to the bank: legislative and regulatory aspects and directions of improvement. *Global and national problems of the economy*. 2015. Issue 4. pp. 1060–1065.

- accounting accounts for displaying credit operations on analytical sections;
- composition and procedure for keeping records of expenses for servicing credit operations;
- formation of collateral for compensation of possible losses on credit operations;
- disclosure of information on loan liabilities in the forms of financial statements;
- disclosure of information on credit operations in the forms of management reporting in accordance with the needs of users.

The borrower reflects information about the loans received in the accounting records on the basis of the requirements set forth in NR(S)A 11 “Liabilities”, according to which the loan liabilities are divided into long-term and current (short-term). Liabilities to pay for the maintenance of settlement accounts are current.

Current, in accordance with NR(S)A 1 “General requirements for financial reporting” and Methodical recommendations for the formation of forms of financial relations No. 433, should be considered liabilities that will be repaid during the operational cycle or must be repaid within 12 months, starting from the balance date.<sup>390</sup>

Short-term loans are provided by banks in case of temporary financial difficulties at enterprises arising in connection with production expenses and expenses and are not secured by the receipt of funds during the relevant period.

Commitments that are not current are long-term. It follows that the loans (loans) received by the enterprise, the repayment period of which exceeds 12 calendar months or one operational cycle of the enterprise, belong to its long-term liabilities.<sup>391</sup>

The process of organizing accounting requires recognition and evaluation of loan liabilities. Loan liabilities are recognized,

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<sup>390</sup> National regulation (standard) of accounting 1 “General requirements for financial statements” of 07.02.2013. No. 73. URL: <https://zakon.help/law/73/>.

<sup>391</sup> Cheban Y. Accounting for liabilities to the bank: legislative and regulatory aspects and directions of improvement. *Global and national problems of the economy*. 2015. Issue 4. pp. 1060–1065.

if their assessment can be reliably determined, there is a possibility of a decrease in economic benefits as a result of their repayment. In the accounting system, the amounts of loans (loans) received are not recognized as revenue of the enterprise and are not subject to attribution to the cost of return.<sup>392</sup>

The very method of accounting for loans received by the enterprise includes the following main components:

- accounting of the principal amount of the debt;
- the amount of the loan received;
- account of the amount of interest accrued for using the loan.

This is explained by the fact that these elements of the accounting accounting of loan liabilities are reflected in different accounts, as well as recognized and evaluated according to different principles. Although interest arrears, as well as on the principal amount of the debt, are also recognized as liabilities in the company's account.<sup>393</sup>

In addition to interest for using a loan, the enterprise, as a rule, has other expenses directly related to the attraction of credit resources, namely:<sup>394</sup>

- bank commission for opening a loan account and other services related to the provision of a loan;
- expenses for notarial certification and/or state registration of pledge agreements;
- payment of consulting, accounting and auditing services (preparation of documents for the bank on technical and economic justification of the project, financial reporting, audit reports (reports of independent auditors), etc.);
- expenses for expert evaluation (collateral, object of investment (in the case when the bank provides a loan from an investment project), etc.);
- loan security (occurrence of relations of security of

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<sup>392</sup> Kirilleva L.O. Organization of accounting of credit operations in the system of financial resources management. *Economic strategy and prospects for the development of trade and services*. 2015. Issue. 2. pp. 7–16.

<sup>393</sup> Cheban Y. Accounting for liabilities to the bank: legislative and regulatory aspects and directions of improvement. *Global and national problems of the economy*. 2015. Issue 4. pp. 1060–1065.

<sup>394</sup> Gubina I. Financial and credit account: from simple to complex. *Accounting: a collector of systematized legislation*. 2005. No. 8. pp. 169–190.

liabilities – collateral, guarantee, surety);

– insurance of the pledged item or the borrower's responsibility.

However, on the basis of the loan amount and interest, all the above expenses (operations) are one-time in nature and arise only at the stage of obtaining and processing a loan.

An important element of the accounting accounting of loan liabilities is their assessment, which ensures compliance with such balance sheet requirements as truthfulness and realness. It is from the correct assessment that the adequacy and reliability of the data provided by the accounting account depends.<sup>395</sup>

Evaluation of bank loans is carried out on the principle of prudence, which involves the use of valuation methods in accounting, which should prevent understatement of the amounts of recognized liabilities.

To reflect the liabilities on loans (in accordance with the terms of their repayment) in the balance sheet use the current cost and present value. Thus, current loan liabilities at the balance sheet date are estimated at current cost, and long-term liabilities are estimated at present value.

The last estimate involves discounting the amount of future payments (minus the amount of the expected refund), which is a necessary process in conditions of inflation.<sup>396</sup>

An important stage in the organization of accounting for bank loans is to provide conditions for the preparation of the necessary set of documents (application, card with samples of signatures, certificate of registration, constituent agreement, financial reporting forms, extracts from the accounts of the enterprise, etc.) and a loan agreement.

Documentation of settlements with banks on loans is summarized in (Fig. 2.11).

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<sup>395</sup> Cheban Y. Accounting for liabilities to the bank: legislative and regulatory aspects and directions of improvement. *Global and national problems of the economy*. 2015. Issue 4. pp. 1060–1065.

<sup>396</sup> Kirilleva L.O. Organization of accounting of credit operations in the system of financial resources management. *Economic strategy and prospects for the development of trade and services*. 2015. Issue. 2. pp. 7–16.

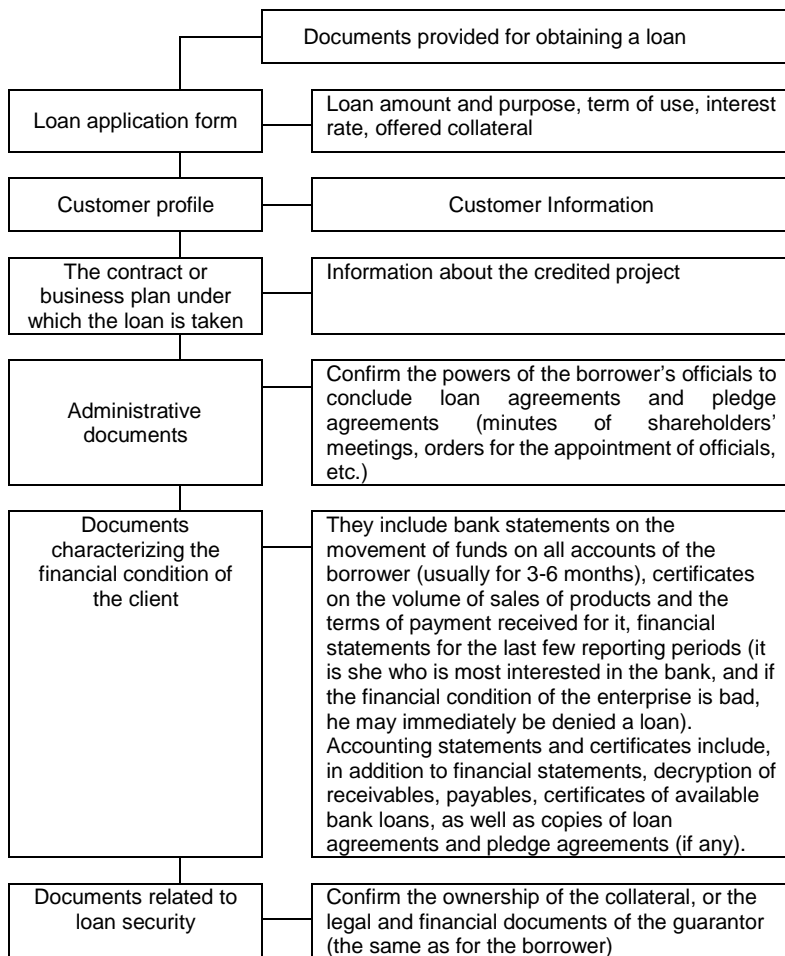


Fig. 2.11. Documentation of settlements on loans of banks at enterprises

Source: <sup>397</sup>

Documentary provision of credit relations between a banking institution and a borrower, first of all, is too limited and is

<sup>397</sup> Ponomarenko O.G. Discussion aspects of accounting for liabilities on bank loans. *Economics and the state*. 2019. No. 7. pp. 50–54.



represented by registers confirming the receipt of credit funds to the account (bank statement) and payment documents for repayment of the “body” of the loan and interest for using it.

However, the lending process is additionally accompanied by a number of documentary forms of legal content.

Although they are not grounds for compiling accounting records, they provide legal usefulness and fulfillment of essential credit conditions.

Thus, enlarged groups of documentary forms for the object of accounting under study are documents before receiving a loan (a characteristic of the borrower’s condition and his credit history and collateral), a loan agreement and an extract on the transfer of funds together with a payment schedule and documentary forms of payment repayment in the context of the components of the loan agreement (body, interest, penalties and other sanctions). Primary documents reflecting the receipt of a loan, its repayment and payment of interest on the loan is formed on the basis of agreements concluded with the banking institution (Table 2.12).<sup>398</sup>

Table 2.12

**Primary documents for the receipt of credit transactions**

Operation	Primary document
Obtaining a loan (crediting to a current account)	Bank statement
Use of credit funds	Payment order, bank statement, disbursement cash order
Loan repayment	Payment order, bank statement
Payment of interest on the loan	Accounting certificate, payment order, bank statement
Confirmation of the intended use of credit funds	Primary documents for the posting of goods and materials and fixed assets, services and works received (invoice, consignment note, act, report on the use of funds provided for the report or for a business trip)

The main requirements for registration of primary documents on the accounting of loans, payment of interest rates and other

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<sup>398</sup> Kirilleva L.O. Organization of accounting of credit operations in the system of financial resources management. *Economic strategy and prospects for the development of trade and services*. 2015. Issue. 2. pp. 7–16.

liabilities to the bank are set out in the Regulations “On documentary support of records in the accounting account” and the Law of Ukraine “On accounting accounting and financial reporting”.

In terms of accounting accounts and instructions for its use to reflect credit transactions in accounting, it is customary to use such types of accounts as:

- account 50 “Long-term loans”;
- account 60 “Short-term loans”;
- account 61 “Current debt on long-term liabilities”.

On the accounting account 50 “Long-term loans” it is customary to keep records of settlements both on long-term loans of banks and on other attracted funds from other persons who are not current liabilities. For the loan of the submitted account, it is customary to reflect the amounts of long-term loans received, as well as the transfer of short-term (deferred) loans, and on debit – repayment of debts on them, and the transfer of long-term loans to the current debt on long-term liabilities when the term of their payment is reduced to 12 months (transfer of debt on long-term loans to the current debt on long-term liabilities is one of the differences between the reflection of current and long-term loans).<sup>399</sup>

Account 50 “Long-term loans” contains the following subaccounts:

- 501 “Long-term loans of banks in national currency”;
- 502 “Long-term loans of banks in foreign currency”;
- 503 “Deferred long-term loans of banks in national currency”;
- 504 “Deferred long-term credits of banks in foreign currency”;
- 505 “Other long-term loans in national currency”;
- 506 “Other long-term loans in foreign currency”.

Analytical accounting is conducted by lenders (banks) in the context of each loan (loan) separately and the maturity of the loan (loans).<sup>400</sup>

Accounting for settlements in national and foreign currencies

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<sup>399</sup> Orlova V.K. Financial accounting. Training. manual. 2nd ed. add. and processing. K. : Center for Educational Literature. 2010. 510 pp.

<sup>400</sup> Pinchuk L.D. Accounting for bank loans. *All about accounting*. URL: [http://www.vobu.com.ua/ukr/crib\\_categories/question/56](http://www.vobu.com.ua/ukr/crib_categories/question/56).

on loans of banks, the repayment period of which does not exceed twelve months from the balance date, and on loans whose maturity has expired are kept on account 60 “Short-term loans”. On the loan of the specified account, it is customary to reflect the amounts of loans (loans) received, and on debit – the amount of their repayment and transfer to long-term liabilities in case of deferral of loans (loans).

Account 60 “Short-term loans” contains the following subaccounts:

601 “Short-term loans of banks in national currency”;

602 “Short-term loans of banks in foreign currency”;

603 “Deferred short-term loans of banks in national currency”;

604 “Deferred short-term loans of banks in foreign currency”;

605 “Overdue loans in national currency”;

606 “Overdue loans in foreign currency”.

Account 61 “Current debt on long-term liabilities” is generally intended to summarize information on the status of settlements for current liabilities transferred from the long-term, upon maturity within twelve months from the balance date.

Account 61 “Current debt on long-term liabilities” contains the following subaccounts:

611 “Current debt on long-term liabilities in national currency”;

612 “Current debt on long-term liabilities in foreign currency”.

When keeping records of bank loans, it is necessary to distinguish between the principal amount of the debt (the “body” of the loan), which is reflected in accounts 50, 60 and 61, as well as the interest accrued on the principal amount of the debt and reflected on the credit of account 684 “Calculations on accrued interest” in correspondence with the debit of account 951 “Interest on the loan”.<sup>401</sup>

Interest on the loan belongs in the accounting account to the expenses. Subject to the payment of taxes, tax expenses include any expenses related to the payment or accrual of

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<sup>401</sup> Verkhoglyadova N.I., Shilo V.P., Ilyina S.B. Accounting financial accounting: theory and practice. Educational and practical manual. K. : Center for Educational Literature. 2010. 536 pp.

interest on debt liabilities(including on any loans, deposits) during the relevant period, if such payments or accruals are made in connection with the business activities of the taxpayer. According to the main provisions of the Methodical recommendations for planning, accounting and calculation of the cost of products (works, services) of agricultural enterprises No. 132 in the accounting account, interest on the loan is not included in the cost of production (work, services), but belongs to financial expenses and is written off for the financial result of the activity.<sup>402</sup>

This is also indicated in other regulatory documents on accounting records. According to NR(S)A 16 “Expenses”, interest expenses (for the use of loans received, on loans issued, on financial leases, etc.) and other expenses of the enterprise associated with the attraction of the loan capital belong to financial expenses.<sup>403</sup>

In accordance with the Account Plan and the Instruction on its application, interest on loans is reflected in subaccount 951 "Interest on the loan", which accounts for the accrual and payment of interest on the loan. Subaccount 951 "Interest on credit" is debited in the end of the corresponding period to account 79 “Financial result”.<sup>404</sup>

Transactions on obtaining long-term and short-term loans and other operations, which are recorded on accounts 50 “Long-term loans” and 60 “Short-term loans” are reflected in Journal 2. This Journal reflects the turnover on the credit of accounts 50 and 60 in the context of corresponding accounts. Records are made on the basis of bank statements and documents attached to them and other documents certifying the

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<sup>402</sup> Methodical recommendations for planning, accounting and calculating the cost of goods (works, services) of agricultural enterprises No. 132. Official site of the Verkhovna Rada of Ukraine. URL: [zakon.rada.gov.ua](http://zakon.rada.gov.ua).

<sup>403</sup> National Regulation (Standard) of Accounting 16 “Expenses”. Order of the Ministry of Finance of Ukraine dated 31.12.1999 No. 318. URL: <http://zakon4.rada.gov.ua/laws/show/z0027-00>

<sup>404</sup> Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations dated 21.12.1999 No. 291 (as amended). URL: <http://zakon.rada.gov.ua>.

movement of borrowed funds.

The financial reporting of the investigated liabilities is carried out on the basis of NR(S)A 1 “General requirements for financial reporting” and Methodical Recommendations No. 433 in the forms of financial reporting: Balance (information about the financial condition) and Report on financial results (report on the total revenue).

There is a list of information regarding the liabilities of the enterprise, which should be presented in the Notes to the financial report. Such information includes all important characteristics regarding the emergence, existence and repayment of liabilities and expenses that may be associated with them.

In addition, it is necessary to provide the following information in the Notes to financial information:

1) amounts and maturities of liabilities that have been reclassified (excluded from the current liabilities) with justification of the reasons for such exclusion;

2) list and substantial amounts of liabilities included in the balance sheet items “Other long-term liabilities” and “Other current liabilities”;

3) for each type of unforeseen liabilities, the following information is provided: uncertainty regarding the term and amount of repayment; the amount of the expected repayment of the liability by the other party.<sup>405</sup>

One of the sources of attracting assets into the turnover of the enterprise is accounts payable, reflected in the 4th section of the liability of the balance sheet “Current liabilities”. It arises due to the fact that in the process of activity enterprises do not always make settlements with legal entities and individuals simultaneously with the alienation of property, performance of work, provision of services, which leads to the emergence of certain liabilities to suppliers and other counterparties of economic relations. Accounts payable, which arises in this case, is a type of commercial loan, which is an important factor

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<sup>405</sup> Cheban Y. Accounting for liabilities to the bank: legislative and regulatory aspects and directions of improvement. *Global and national problems of the economy*. 2015. Issue 4. pp. 1060–1065.

in stabilizing the financial condition of the enterprise.

Under the accounts payable, as one of the categories of legal significance, understand the relationship of a binding nature between the enterprise and its creditors. The types of liabilities for which accounts payable arise are presented in Fig. 2.12.

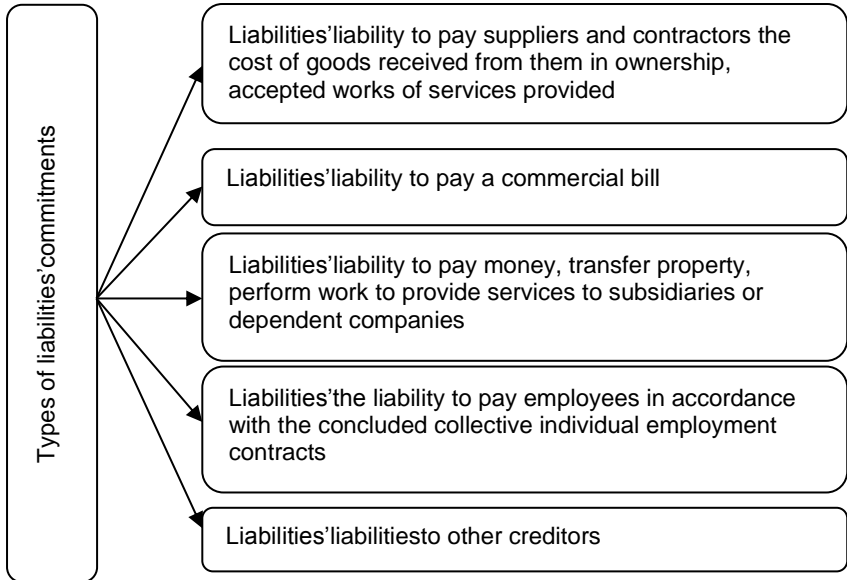


Fig. 2.12. Liabilities for which payables arise

Source: <sup>406</sup>

Among these types of liabilities, it is the liability to settle settlements with suppliers and contractors that has the greatest weight in determining the financial condition of the enterprise, since effective management and accounting of accounts payable will speed up the circulation of working capital.

In Ukraine, at the level of legislation, settlements with counterparties, namely with suppliers and contractors, are defined in NR(S)A 11 "Liabilities". With the effective

<sup>406</sup> Burlan S. A. Accounting aspects of the management of accounts payable of the enterprise. Efficient economy. 2021. No. 1. URL: [www.economy.nayka.com.ua/pdf/1\\_2021/78.pdf](http://www.economy.nayka.com.ua/pdf/1_2021/78.pdf)

organization of accounting for accounts payable, it is possible to reduce the delay in the term of debt due to accounting shortcomings. The basis for organizing their accounting should be the prevention of overdue accounts payable and timely verification of settlements with suppliers and contractors.<sup>407</sup>

Relationships and, accordingly, settlement operations with suppliers and contractors begin with their search or choice by a particular enterprise. Settlements with suppliers and contractors are mutual settlements of enterprises for inventory, work performed, services rendered. They are predominant in activity. It is on the continuity and systematic organization of these calculations that the state of all calculations of the enterprise, its financial stability, liquidity and solvency decisively depend.<sup>408</sup>

Suppliers and contractors are enterprises that ship products (perform work, provide services) to customers, that is, in relation to suppliers, consumer enterprises always act as buyers of their inventory, various services, including the receipt of electricity, gas, water, car services, communication services, services for the processing of material values, etc. For the final formation of relationships and relevant settlement operations with suppliers and contractors, it is necessary to go through the process of searching by the enterprise.

In Fig. 2.13 shows a number of conditions that must be met when selecting suppliers and contractors.

The procedure and forms of settlements with suppliers are determined by economic contracts, as a result of which the company has current liabilities – payables.

An economic contract is the most common and important basis for the emergence of an liability, the main form of implementation of commodity-money relations in a market economy. The formation of relationships and relevant settlement operations with suppliers and contractors is preceded by the search process by the enterprise.

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<sup>407</sup> Bondarenko O.M., Gudyma V.Y. Accounting for settlements with suppliers and contractors. *Economy. Finance. Law*. 2018. No. 4. pp. 26–30.

<sup>408</sup> Brukhansky R. F. Accounting and analysis in the system of strategic management of agrarian entrepreneurship. Monograph. Ternopil. TNEU. 2014. 384 pp.

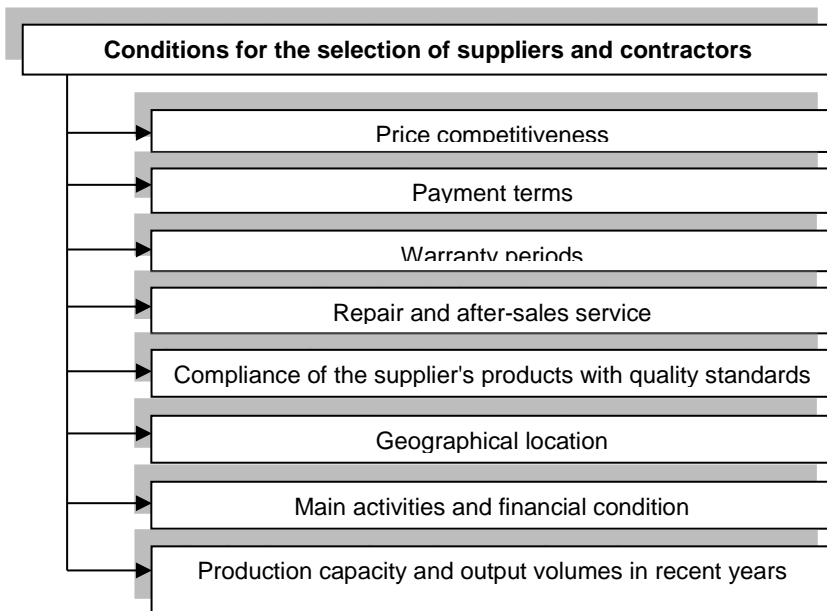


Fig. 2.13. Conditions for the selection of suppliers and contractors in the enterprise

Source: <sup>409</sup>

Article 264 of the Commercial Code of Ukraine stipulates that the material and technical supplies and sale of industrial and technical products and consumer products, both of their own production and purchased from other business entities, are carried out by concluding sales contracts. <sup>410</sup>

A contract is a document certifying the agreement of two or more parties, which is aimed at the process of establishing, changing or terminating civil rights and liabilities. A contract of sale is an agreement that establishes all the conditions and

<sup>409</sup> Yugas E.F. The economic essence of the contractual relations of the enterprise and the form of settlement with suppliers and contractors. *Economic Bulletin of the University*. 2011. No. 17/2. URL: [http://www.nbu.gov.ua/portal/soc\\_gum/Evu/2011\\_17\\_2/Yugas.pdf](http://www.nbu.gov.ua/portal/soc_gum/Evu/2011_17_2/Yugas.pdf)

<sup>410</sup> Commercial Code of Ukraine dated 16.01.2003. No. 436-IV. URL: <http://zakon4.rada.gov.ua>. <http://zakon2.rada.gov.ua/laws/436-15>



calculations that are determined for both parties. When concluding a contract with suppliers and contractors, a legal liability arises that is not reflected in the accounting accounts and in the balance sheet.<sup>411</sup>

Contracting is an agreement according to which one party (contractor) undertakes under its responsibility to perform certain work on the instructions of the other party (customer) using the customer's own materials or materials for a fee. Only the finished result handed over to the customer is paid.

The procedure for settlements between business entities is regulated by the Instruction on non-cash payments in Ukraine in national currency, approved by the Resolution of the NBU Board dated 21.01.04, No. 22.<sup>412</sup>

Settlements with suppliers and contractors are carried out in cash and non-cash form or by crediting mutual claims on the basis of primary documents (invoices, consignment notes, acts of acceptance and transfer of work performed (services rendered), tax invoices, bank statements).<sup>413</sup>

Forms of settlements between suppliers and contractors are schematically shown in Fig. 2.14.

In addition to the usual form of payment (cash and non-cash funds) in accordance with Section 9 of Instruction No. 22, settlements with suppliers and contractors can be carried out by buyers (customers) by offsetting mutual debts in the event that the buyer (customer) in turn acts as a supplier (contractor) of goods (works, services) to its supplier (contractor).

To carry out the offset, it is necessary that the claims are counterclaims, that is, those that flow from different two liabilities between two legal entities so that the one who is the debtor of one is the creditor of the other. The presence of these

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<sup>411</sup> Regulation (standard) of accounting 11 "Liabilities", approved by the order of the Ministry of Finance of Ukraine dated 11.02.2000. No. 85/4306. URL: <http://zakon.rada.gov.ua/laws/show/z0085-00>

<sup>412</sup> Instruction on non-cash payments in national currency, approved by the resolution of the NBU Board dated 21.01.2004. No. 22. URL: [zakon.rada.gov.ua/cgiin/laws/main.cgi?nreg=521-89](http://zakon.rada.gov.ua/cgiin/laws/main.cgi?nreg=521-89)

<sup>413</sup> Gaidarzhyska O.M., Popovych O.V., Krombet A.Y. Theoretical aspects of accounting for enterprise calculations with suppliers and contractors. Economy and society. 2018. Issue 18. pp. 874-880.

conditions gives the right to any of the parties to make a test in the total expression, stating this to the other party.

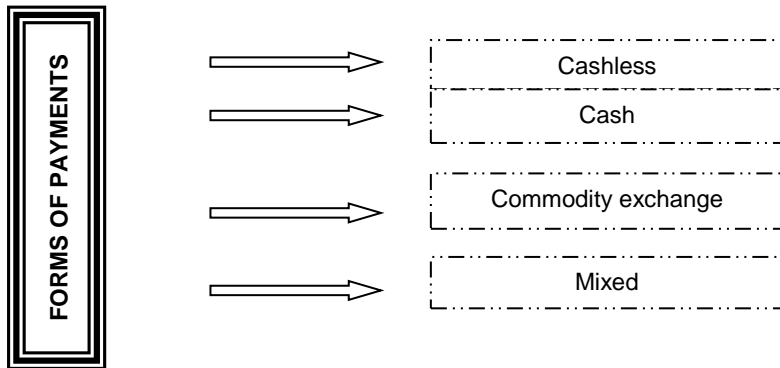


Fig. 2.14. Forms of payments between suppliers (contractors) and buyers

Source: <sup>414</sup>

For the production of the offset, it is necessary that the claims are counterintuitive, that is, those arising from the different two liabilities between two persons so that the one who is the debtor of one is the creditor of the other. The presence of the listed conditions entitles either party to make a credit in total terms, stating this to the other party.

The date of recognition of the buyer's liabilities to suppliers is the moment of transfer of ownership of the received assets. That is, accounts payable for goods, works and services must be reflected in the accounting account system if the following conditions are met: firstly, the suppliers received benefits and risks associated with ownership of the acquired assets; secondly, suppliers do not carry out further management and control over the assets sold; thirdly, the amount of liabilities to suppliers can be reliably determined.

An effective system of settlements with suppliers and contractors depends on the payment discipline of the buyer, the

<sup>414</sup> Butynets F. F. Organization of accounting. Textbook. 4th ed. reported. and processing. Zhytomyr : PE "Ruta". 2005. 528 pp.

selected payment instrument, as well as the availability of operational control over the status of settlements. A properly established settlement system at the enterprise has a significant impact on the liabilities and financial condition of the enterprise as a whole.<sup>415</sup>

Proper organization of accounting for settlements with suppliers and contractors should ensure:

1. Effective control over the accounting of settlements with suppliers and contractors;
2. Timely detection of overdue accounts payable.

The main tasks of the organization of accounting of accounts payable for goods, works, services are:

- ensuring timely and complete registration of data in documents and accounting registers;
- clear documentation of calculations;
- reliable display of information on liabilities in the forms of financial statements;
- creation of an effective system of internal control of liabilities;
- ensuring the process of accounting for liabilities by qualified accountants and means of automation of accounting;
- establishment by the order for the enterprise of the list of officials who will be responsible for the correctness of the calculations, the timeliness of their documentation;
- determination of the order of synthetic and analytical accounting;
- timely verification of settlements and prevention of delay in accounts payable;
- development of payment schedules;
- development of cardfiles of details, systematization of information about creditors;
- selection, implementation of methods, methods, techniques for collecting and processing information on operations to fulfill liabilities that are necessary for operational management, current and subsequent planning, control and

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<sup>415</sup> Gaidarzhyska O.M., Popovych O.V., Krombet A.Y. Theoretical aspects of accounting for enterprise calculations with suppliers and contractors. Economy and society. 2018. Issue 18. pp. 874–880.

analysis.<sup>416</sup>

To reflect the entire volume of economic activity, namely the operations carried out in the enterprise, accounting uses the method of documentation.

Documentation is an important element of the accounting method, since it serves for the initial observation of business transactions and is a prerequisite for reflecting them in accounting. That is why, the basis for accounting of settlements with suppliers at enterprises are primary documents that record the facts of these operations (Table 2.13).<sup>417</sup>

Table 2.13

**Primary documentation for accounting of payments with suppliers and contractors**

Business transaction	Document	Place of assembly	Who makes up
Receipt of inventory from suppliers	Goods and transport invoice, tax invoice	External	Provider
Settlements with suppliers	Payment order, waybill, invoice	Internal	Accounts Payable Accountant
Posting inventory	Invoice, acceptance certificate	Internal	Financially responsible person
Acceptance of inventory received without documents	An act of acceptance of goods without a supplier's invoice	Internal	Commission
Internal movement of inventory	Invoice	Internal	Financially responsible person

Source: <sup>418</sup>

<sup>416</sup> Mushinskiy V.V. Formation of accounting policies for the fulfillment and change of liabilities of the enterprise, taking into account the interests of users. *Winter readings dedicated to outstanding scientists in the field of accounting, analysis and control: a collection of abstracts of the Eleventh All-Ukrainian Scientific Internet Conference of Railway Technical University*. 2013. pp. 76–78.

<sup>417</sup> Maslennikov E. Accounting support for accounts payable of business entities. *Scientific Bulletin of Odessa National Economic University*. 2014. No. 10. pp. 103–113.

<sup>418</sup> Lyubar O.O. Accounting support for the management of settlements with

On the basis of primary documents, accounting staff carry out chronological and systematic reflections of business transactions on accounting accounts.

To account for settlements with suppliers and contractors, account 63 “Settlements with suppliers and contractors” is provided. The credit of account 63 “Settlements with suppliers and contractors” reflects the debt for inventory received from suppliers and contractors, accepted works, services, debit - its repayment, write-off, etc.

Accounts payable, which arises as a result of settlements between business entities in the process of forming the resources of an enterprise, consists of the following types:

- settlements with domestic suppliers (subaccount 631);
- settlements with foreign suppliers (subaccount 632);
- settlements with PFG participants (subaccount 633).

Subaccount 631 “Settlements with domestic suppliers” keeps records of payments for the received inventory, work performed, services rendered with domestic suppliers and contractors.

Subaccount 632 “Settlements with foreign suppliers” keeps records of settlements with foreign suppliers and contractors for the received inventory, work performed, services rendered.

Subaccount 633 “Settlements with PFG participants” keeps records of settlements for the goods and materials received, work performed and services rendered with participants of the industrial and financial group.

According to the Methodical recommendations on the application of registers of journal-order form of accounting for agricultural enterprises, approved by the order of the Ministry of Agrarian Policy of Ukraine dated 04.06.2009 No. 390 to account for the calculations reflected on account 63 “Settlements with suppliers and contractors” appointed Journal No. 3 V ag. and the Register of operations on settlements with suppliers (contractors) No. 3.3 ag. Accounting for settlements in journal-order registers Forms are carried out regardless of the amount of the invoice and the form of payment. In the case of a significant number of settlement transactions, the data is

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counterparties for commodity transactions. Agrosvit. 2020. No. 1. pp. 48–60.

preliminarily accumulated in the “Register of operations on settlements with suppliers (contractors)” No. 3.3 ag., which is opened for each supplier or contractor. Every month, turnovers from the registers are transferred to the Journal No. 3 V ag. To account for calculations on taxes and payments, a separate form of the Journal No. 3 G ag. and the statement of analytical accounting No. 3.5 ag. “Statement of analytical accounting of calculations with the budget” are assigned.

To account for bills of exchange, a separate form of the Journal No. 3 B ag. and the statement of analytical accounting No. 3.1 ag. “Statement of analytical accounting of received and issued bills” are intended.<sup>419</sup>

The economic activity of any enterprise is based on the system of economic relations. In modern commodity production based on the hiring of labor, wages are an element of the labor market that acts as the price of a commodity in the form of which an employee sells his labor.

The revenue of workers in the system of economic relations, on the one hand, is a source of satisfaction of their own needs (accumulation of capital), reproduction of the employee’s labor force, on the other – the main source of material incentives to increase production efficiency and increase the competitiveness of the business entity. In addition, the state is also a regulator of the relationship between the enterprise and the worker by establishing restrictions on the minimum wage, length of working time and other standards. All this affects the wage accounting system in the enterprise. Consequently, the correct organization of labor accounting and its payment, time worked, labor productivity is an important element of production relations.

Salary is a remuneration, calculated, as a rule, in monetary terms, which, under an employment contract, the owner or the body authorized by him pays to the employee for the work performed by him. The amount of wages depends on the complexity and conditions of the work performed, the professional and business qualities of the employee, the results

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<sup>419</sup> Lyubar O.O. Accounting support for the management of settlements with counterparties for commodity transactions. Agrosvit. 2020. No. 1. pp. 48–60.

of his work and the economic activity of the enterprise.

For an employee, wages are the main article of his personal revenue, a means of reproduction and improvement of well-being. For the employer, wages are a significant part of the expenses that are included in the cost of production. The level of remuneration significantly affects the behavior of the employee and the employer, forms certain relations between them based on the regulation of supplies and demand in the labor market. Таким чином, оплата праці має різноманітне функціональне призначення.

The function of wages is to coordinate and realize the interests of all participants in labor relations. The main functions of wages are reproductive, stimulating, regulating, social (Fig. 2.15).

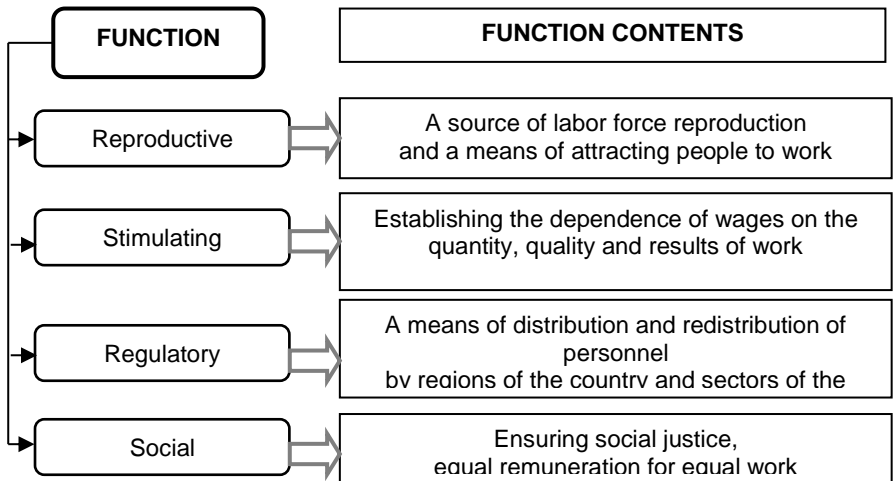


Fig. 2.15. Functions of wages as a socio-economic category  
Source: <sup>420</sup>

Payroll to employees is a calculation of earnings for a month where the size of the official salary, various surcharges and

<sup>420</sup> Varlamova I.S. Problems of payroll accounting at the enterprise and directions of its improvement. *Scientific Bulletin of Heron State University*. 2019. Issue 34. pp. 135-139.

allowances, bonuses, benefits, payment of vacations minus deductions are taken into account. The composition of the wages of the worker is shown in Fig. 2.16.

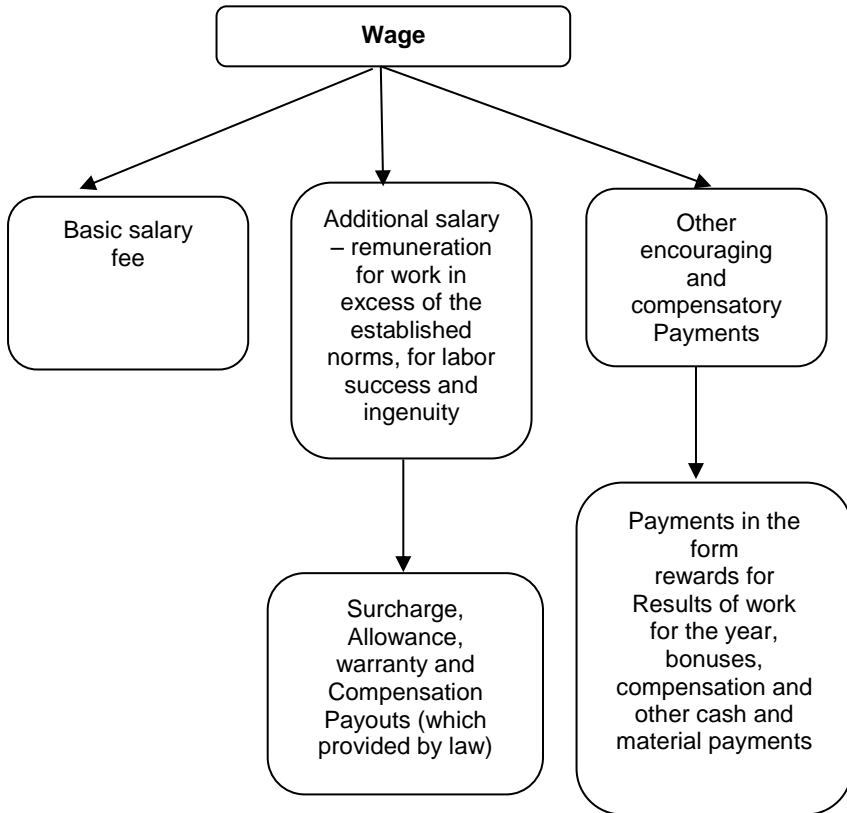


Fig. 2.16. Salary composition

Source: <sup>421</sup>

From the sums of accrued wages of members of the labor team, persons who work under labor agreements, subcontracts,

<sup>421</sup> Yarenenko L.M. Problems of accounting and taxation of payroll calculations and ways to solve them. *Efficient economy*. 2020. No. 12. URL: [http://www.economy.nayka.com.ua/pdf/12\\_2020/122.pdf](http://www.economy.nayka.com.ua/pdf/12_2020/122.pdf)



part-time work, perform one-off work, and various deductions are made. They can be divided into:

- mandatory (personal revenue tax, military fee, single contribution to compulsory social insurance);
- not mandatory (by decision of the judicial authorities, at the initiative of the enterprise, at the initiative of the employee, at the initiative of professional organizations).

Fig. 2.17. examines taxes, fees and their rates accrued and withheld from wages.

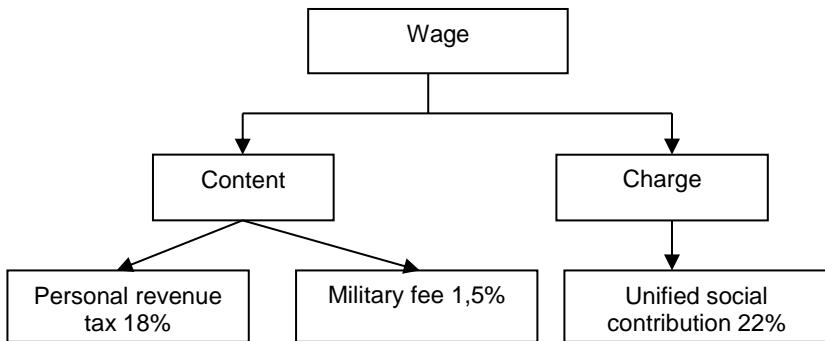


Fig. 2.17. Taxes, fees and their rates accrued and withheld from wages

The largest issue of weight in the structure of mandatory deductions is occupied by podatok on the doxody of individuals, the national tax levied on the revenue of individuals resident and non-residents who receive revenue from sources of their origin in Ukraine. The accrual, payment, security and deduction of podatkovyh зобов'язалисьщодо його payment is determined by the IV division of the Tax Code Ukraine. As of 01.01.2021, the podataok on the doxody of physical osib as of 01.01.2021 is 18%.

The single contribution to compulsory state social insurance is a consolidated insurance contribution, the collection of which is carried out in the system of compulsory state social insurance on a mandatory basis and on a regular basis in order to ensure protection in cases stipulated by law, the rights of insured

persons to receive insurance payments (services) under the current types of compulsory state social insurance.

The single contribution for payers is set at 22 percent to the single contribution accrual base.

Military duty is one of the types of deductions from wages (mandatory type of deductions since August 2014). The Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Other Legislative Acts of Ukraine” of 31.07.2014 No. 1621-VII, which amended the Tax Code of Ukraine and introduced a military fee, entered into force on 03.08.2014.

There are also optional types of deductions: by decision of the judicial authorities (alimony), maintenance at the initiative of the enterprise and the employee.

Remuneration is regulated by the Tax Code,<sup>422</sup> Labor Code<sup>423</sup>, The Law “On Accounting and Financial Reporting”<sup>424</sup>, the Law “On Remuneration” and other regulatory legislative acts.<sup>425</sup>

Regulation (standard) of accounting 26 “Payments to employees” regulates the procedure and rules for accounting for employee benefits and disclosure of information in financial statements. NR(S)A 26 contains the following types of payments:

- current types of payments;
- payments upon dismissal;
- payments at the end of work;
- payments by equity instruments;
- other employee benefits.<sup>426</sup>

International Accounting Standard 19 “Employee Benefits” is

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<sup>422</sup> Tax Code of Ukraine dated 02.12.2010 No. 2755-VI (with amendments and additions). Official site of the Verkhovna Rada of Ukraine. URL: zakon.rada.gov.ua.

<sup>423</sup> Labor Code of Ukraine dated 10.12.1971 No. 322-VIII.

<sup>424</sup> On accounting and financial reporting in Ukraine: Law of Ukraine of 16.07.1999. No. 996-XV. URL: <http://zakon0.rada.gov.ua/laws/show/996-14>

<sup>425</sup> On remuneration: Law of Ukraine of 24.03.1995 No. 108/95-VR. URL: <https://zakon.rada.gov.ua/laws/show/108/95-%D0%B2%D1%80#Text>

<sup>426</sup> National Regulation (Standard) of Accounting 26 “Payments to employees” of 28.10.2003, No. 601. URL: <https://zakon.rada.gov.ua/laws/show/z1025-03#Text>

used by employers when accounting for employee benefits. IAS 19 includes information on employee benefits, namely short-term payments to employees, payments due to the end of employment, other long-term payments to employees, payments upon dismissal.<sup>427</sup>

For the organization of accounting for wages at the enterprise, it is important to determine the requirements for determining tasks, documentation, a system of indicators and calculations, with the help of which information on remuneration of employees is formed and accumulated.

The main tasks of the organization of labor and wage accounting:

- ensuring control (self-control) over the observance of the quantitative composition of employees, the use of working time and the observance of labor discipline;
- determination of time worked and manufactured products, control over the implementation of production standards, calculation of wages for each employee, distribution of accrued wages in areas of expenses; keeping settlements with employees of the enterprise regarding wages, with a budget for the payment of taxes, ensuring control (self-control) over the expenses of the wage fund, reporting, etc.<sup>428</sup>

The basis of the organization of remuneration is the wage system, which includes tariff scales, tariff rates, salary schemes and tariff-qualifying characteristics.

The wage tariff system is used to distribute work depending on their complexity, and employees – depending on their qualifications and by categories of the tariff scale. It is the basis for the formation and differentiation of wages.

Labor rationing is an integral part of assessing its results and calculating the wages of most categories of workers. Labor rationing is carried out in order to determine:

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<sup>427</sup> International Accounting Standard 19 “Employee Benefits” dated 01.01.2012. No. 929\_011. URL: [https://zakon.rada.gov.ua/laws/show/929\\_011#Text](https://zakon.rada.gov.ua/laws/show/929_011#Text)

<sup>428</sup> Sotchenko Y.K. Remuneration and directions of its improvement in the conditions of the economic crisis. State and regions. Series: Economics and Entrepreneurship. 2006. No. 6. pp. 433–436.

a) the minimum allowable amount of work (labor standards) that the employee must perform for a certain period of time (hour, shift);

b) the maximum allowable time required to perform a particular work or operation.

Forms and systems of remuneration are a list of certain concepts and rules by which the dependence of wages on the actual results (expenses) of labor is established.

The wage system is divided into the following forms: hourly and subordinate, and they, in turn, have varieties.

The construction of labor accounting and its payment in the enterprise depends on many factors:

1) the structure of the enterprise (the presence of workshops, sites, structural units);

2) the number of employees and their quality composition (categories, professions);

3) the mode of operation of the enterprise (one-, two- or three-shift working day, the duration of the working week);

4) the use of forms and systems of remuneration (piecework, hourly, mixed);

5) the terms of payment of wages, as well as the main tasks that should ensure the systematic accounting of payroll calculations.

According to the constituent documents, the company develops a staffing table – an internal regulatory document, which sets out the list of positions provided for at the enterprise, indicating their official salaries.

The legitimacy of the availability of staffing at the enterprise is due to Economic Code of Ukraine, according to which the company independently determines its organizational structure, establishes the number of employees and approves the staffing table.

Remuneration of employees who are in labor relations with enterprises, regardless of the form of ownership and management, is regulated, on the one hand, by establishing the state minimum wage; norms, guarantees and compensations; conditions and amounts of remuneration of employees of enterprises; taxation of employees' profits; on the second –

agreements that are concluded at the state, industry, regional levels and at the enterprise.

Regulation of remuneration at the enterprise level involves the development, approval and application of internal regulatory documents, in particular, provisions: on remuneration of labor, on bonuses for the performance of production tasks and functions, on remuneration based on the results of work for the year, etc. A feature of the organization of labor accounting and its payment is the need to comply with the terms of payment of wages stipulated by the collective agreement. The process of organizing labor accounting and the mechanism of its payment includes certain stages (Fig. 2.18).

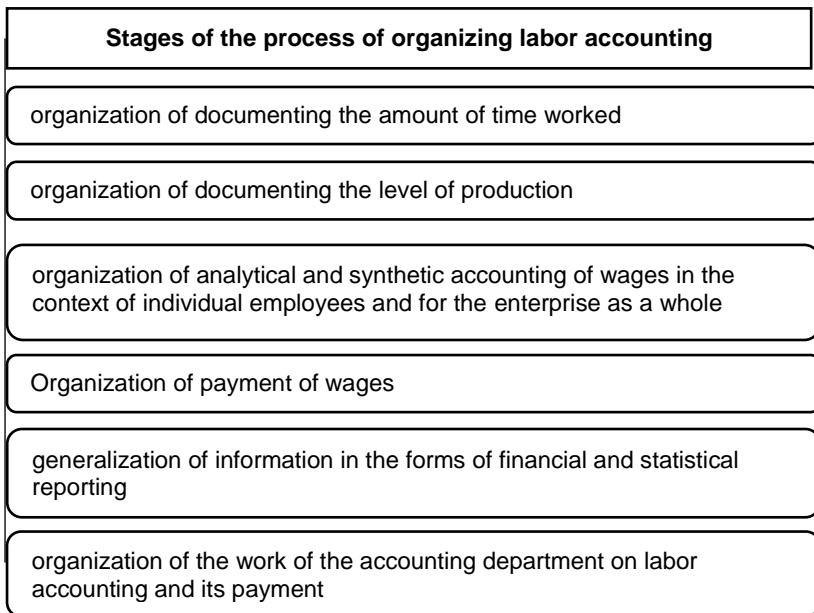


Fig. 2.18. Stages of the process of organizing labor accounting and the mechanism of its payment

Source: formed by the authors based on <sup>429</sup>

<sup>429</sup> Varlamova I.S. Problems of payroll accounting at the enterprise and directions of its improvement. *Scientific Bulletin of Heron State University*. 2019. Issue 34. pp. 135-139.

Documenting transactions on payroll calculations between employees and the employer is accompanied by a large number of documents of standard and atypical forms. The head of the company approves the workflow schedule for each primary document.

The main document that determines the procedure for organizing wages at the enterprise, the size of the basic and additional wages, the procedure for bonuses for employees, is the Regulations on remuneration at the enterprise.

Such a document should contain information about:

- general principles of the organization of remuneration in the enterprise;
- systems and forms of remuneration that apply to different categories of workers;
  - staffing table of employees of the enterprise;
  - construction of basic (tariff) wages with instructions for positions and professions of tariff rates and salaries or the procedure for calculation, depending on the performance indicators of the employee and the enterprise as a whole;
  - agreed surcharges, allowances and compensations indicating their size;
  - other premium systems used in the enterprise and the scale of bonuses.

The provision on remuneration should contain the procedure for revising and indexing wages at the enterprise, as well as the terms and frequency of wage payments, the procedure for resolving labor disputes on remuneration issues.

Accounting for personnel of employees is carried out by the personnel department. All employees of departments are subject to accounting, regardless of the work they perform and the positions they hold.<sup>430</sup>

Table 2.14 shows the main forms of primary documents approved in Ukraine, grouped by direction of use.

Documenting payroll depends on the forms and systems of remuneration adopted at the enterprise.

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<sup>430</sup> Solomon S. Bonus systems: by categories of workers. *Handbook of the economist*. 2007. No. 12. pp. 75–78.

Table 2.14

**Typical forms of primary accounting documentation for  
accounting for payroll calculations of enterprises,  
institutions, organizations**

Standard form number	The name of the default form
Personnel accounting	
P-1	Order on employment
P-2	Employee's personal card
P-3	Alphabetical card
P-4	Personal card of a specialist with higher education who performs scientific, design, research and technological work
P-5	Order on transfer to another job
P-6	Order on granting leave
P-7	List of vacation
P-8	Order on termination of the employment agreement (contract)
P-9, P-10	Book of accounting forms of workbooks and inserts to them
Accounting for the use of working time	
P-12 P-13 P-14	Timesheet for accounting for the use of working time
P-15	List of people who worked in overtime
P-16	Downtime sheet
On accounting for settlements with employees on remuneration	
P-49	Payroll
P-50	Payroll
P-52	Payroll calculation
P-53	Payroll
P-54	Personal account
P-55	Accumulative card of production and salary

Source: <sup>431</sup>

The main document on the accounting of the use of working time is the timesheet for recording the use of working time.

The timesheet is a primary document on the accounting of time worked, which includes a list of all employees of each structural unit of the enterprise. Opposite each surname is a mark on the use of working time in the current period. This

<sup>431</sup> Kostyuk V. Procedure for payment of wages. *Personnel officer's handbook*. 2003. No. 4. pp. 18–20.

document is drawn up every month by a report card or an authorized person. The report card is submitted to the accounting department within the appropriate time limits set by the company.

Accounting for attendance at work and the use of working time is carried out in the timesheet by the method of continuous registration. Based on the time sheet, the accounting department calculates and pays salaries to employees. At the same time, mandatory primary documents such as expenditure cash orders and settlement and payment statements are drawn up.

The time sheet is designed to calculate wages for employees, monitor compliance with the correct mode of operation, accurate accounting of working time and reporting on labor.

Settlement and payment statements are documents in which information provides an opportunity to identify each employee and contains data on the accruals, deductions and payments made to him. The salary of each employee of the enterprise is determined on the basis of the data of primary documents, which are calculated for the month, on the basis of which the total time worked, the accrued amounts are determined, as well as mandatory deductions from wages, such as personal revenue tax, military fee and other deductions.

Equally important for the organization of accounting at the enterprise is the obligatory presence of such personnel documents: staffing (a document establishing for this enterprise, institution, organization structure, staff and official salaries of employees); internal labor regulations (drawn up in any form and approved by order of the head, determine the organization of hired labor in the enterprise); orders on personnel issues (on personnel); orders for employment (appointment to the position); transfer (movement) to another position (work); dismissal (termination of an employment contract); part-time, etc.; book of orders (journal of accounting of orders); personal cards of employees; vacation schedule; labor agreements (contracts); collective agreement (for legal entities); job (working) instructions of employees, a journal of



familiarization of employees with local regulations, regulations on labor protection, liabilities to comply with confidential information (agreement), etc.

This list is not exhaustive, the legislation may provide for other documents. If necessary, the company can also develop and approve forms of documents that do not contradict the current regulatory framework and will ensure the strengthening of the control function of labor and wage accounting.

Efficiency, rationality of the organization of wage accounting depends on the organization of synthetic accounting of wages. The plan of accounts of accounting for synthetic payroll accounting provides for subaccounts:

- 661 "Payroll Calculations";
- 662 "Settlements with depositors";
- 663 "Calculations for other payments".

The credit of account 66 "Calculations for payments to employees" reflects the accrued to employees of the enterprise basic and additional wages, bonuses, temporary disability benefits, other payments due to employees, debit – payment of basic and additional wages, bonuses, temporary disability benefits, etc.; the cost of received materials, products and goods on account of wages (repayment of debts to employees on other payments); withholding of personal revenue tax, deductions for compulsory state social insurance, payments on executive documents and other deductions from employee benefits.

The company's debt on payments to employees in case of receipt by the enterprise of cash for payment through the cash desk of the enterprise and its non-receipt by its employees within the prescribed period is reflected in the debit of subaccounts 661 "Payroll Calculations" and 663 "Calculations for other payments" and the loan of subaccount 662 "Settlements with depositors". Subaccount 663 "Calculations for other payments" keeps accounting records of calculations for payments that do not belong to the wage fund, in particular, partial unemployment benefits, temporary disability benefits.

Analytical accounting of calculations is conducted for each employee of the enterprise, types of payments and deductions.

Section III of the Journal 5 "Accounting for expenses" on the credit of account 661 "Payroll calculations" reflects the operations related to the accrual of basic and additional wages, bonuses, temporary disability benefits, etc. to employees of the enterprise.

Business transactions for the payment of wages and other turnovers on the debit of account 66 "Calculations for payments to employees" are reflected in the Journals: 1 "Accounting for cash and monetary documents", 3 "Accounting for settlements, long-term and current liabilities", 6 "Accounting for revenue and performance", 7 "Accounting for equity and securing liabilities".

To summarize information on the calculations of the enterprise for all types of payments to the budget, as well as taxes withheld from the salaries of employees of the enterprise by Instruction No. 291, account 64 "Calculations for taxes and payments" is assigned, so the credit of account 64 reflects the accrued payments to the budget, on debit – taxes due for reimbursement from the budget, their payment, write-offs, etc. It is worth noting that the accounting of deductions from the salaries of employees of personal revenue tax (rate 18%) is carried out on subaccount 641 "Calculations on taxes", and the accounting of the military fee (rate 1.5%) is carried out on subaccount 642 "Calculations for mandatory payments".

The credit of account 65 "Insurance Settlements" reflects the accrued insurance liabilities, as well as the funds received from the insurance authorities, and the debit reflects the repayment of debt and the expenditure of insurance funds at the enterprise. Accounting for settlements on a single social contribution to compulsory state social insurance (rate of 22%) is carried out on subaccount 651 "According to calculations from compulsory state social insurance". Synthetic accounting (credit turnover) on account 65 "Insurance calculations" is kept in section III of the Journal 5 "Cost Accounting".

Important for the proper organization of labor accounting and settlements with personnel is the approval of the "Regulation on Labor Protection", which protects the rights of workers to ensure proper and safe working conditions and provides for a list of measures aimed at minimizing the impact of harmful factors on

the employee during production activities.

One of the main components of the organization of wage accounting is the proper organization of the work of the accounting apparatus for accounting for wages. To do this, it is necessary to determine the optimal number of accounting staff who will record the accrual and remuneration of labor.

The objects of regulation and rationing of the work of the accounting apparatus are its functions and complexes of accounting work. The procedure for rationing and regulating the work of accountants and calculating the normative number of accountants' apparatus is regulated by intersectoral standards for the number of accounting employees.

The standard for the number of employees of the accounting apparatus is used to calculate its total normative number in the enterprise as a whole, and the time norms for the use of each type of accounting work in the context of accounting objects are used to calculate the standard time (normative labor intensity of accounting work) and the normative number of accountants required to account for each accounting object (fixed assets, intangible assets, inventories, receivables debts, payroll calculations, etc.). With the help of these standards, it is possible to determine the structure of the accounting apparatus and its optimal number, which is why they are the basis for making effective personnel decisions in the matter of the number and structure of the accounting apparatus.

The organizational principles of payroll accounting at the enterprise are enshrined in the Order on accounting policies.

## **Conclusions to chapter 2**

The section discusses the features of the organization of accounting for equity of business entities. The effectiveness of accounting for equity depends on its skillful organization in the enterprise. The process of organizing the accounting of equity includes a number of elements, which, in turn, contribute to the timely, complete, correct reflection of the processes of formation and use of equity components in accounting.

A list of primary documents used by enterprises to reflect transactions with equity and its components has been established.

The features of synthetic and analytical accounting of equity capital of enterprises of various organizational and legal forms are revealed.

The section discusses the features of the organization of accounting for the liabilities of the enterprise. The main legislative and regulatory acts regulating the reflection in the accounting and financial statements of the liabilities of agricultural enterprises are highlighted.

The main criteria for the classification of liabilities of enterprises are considered and the possibility of using the above classifications in the practice of business entities is analyzed.

The main directions of the organization of accounting for credit operations in order to create information for the implementation of effective management of the attracted capital of the enterprise are analyzed.

Theoretical and methodological foundations of accounting for payments to employees are considered.

## CHAPTER 3

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### ORGANIZATION OF ACCOUNTING FOR EXPENSES, REVENUE AND RESULTS OF THE ENTERPRISE'S ACTIVITIES

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#### **3.1. Regulatory framework, recognition and general principles of organization of accounting for expenses, revenue and results of activities**

The system of accounting for the expenses of activities in modern enterprises is not able to fully exist without proper regulatory support, which is constantly being formed and is in the process of political, economic, integration, social changes and other factors.<sup>432</sup>

The main types of regulatory and legal support for accounting for the expenses of enterprises include:<sup>433</sup>

- Codes of Ukraine (Tax, Budget, Economic, Civil);
- Law of Ukraine “On Accounting and Financial Reporting in Ukraine”;
- Decrees of the President of Ukraine;
- Resolutions and decisions of the Cabinet of Ministers of Ukraine;
- Orders, resolutions, orders, letters, explanations of ministries and departments;
- Regulations (standards) of accounting;
- Guidelines;
- Instructions, instructions, regulations;
- Chart of accounts of accounting;
- Order on the accounting policy of the enterprise;
- Workflow schedules, schedules of accounting and reporting work, etc.

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<sup>432</sup> Partin G.O. Enterprise cost management: conceptual foundations, methods and tools. Monograph. K.: UBS NBU. 2008. 219 pp.

<sup>433</sup> Sekirina N.V. General approaches to the formation and classification of regulatory support for accounting and control of expenses for the production of finished products. *Collection of scientific works of Khmelnytsky Cooperative Institute of Trade and Economics*. 2014. No. 2. pp. 235–245.

The main regulatory document that defines the legal principles of regulation, organization, accounting and financial reporting in Ukraine is the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”. According to this law, accounting and financial statements are based on principles, one of which is the principle of accrual and compliance of revenue and expenses. The essence of this principle is that in order to determine the financial result of the reporting period, it is necessary to compare the revenue of the reporting period with the expenses incurred to obtain these revenues. At the same time, revenue and expenses are reflected in the accounting and financial statements at the time of their occurrence, regardless of the date of receipt or payment of funds.<sup>434</sup>

The definition of expenses is given in the National Regulation (standard) of accounting (hereinafter referred to as NR(S)A) 1 “General requirements for financial statements” and in the Methodological Recommendations for the formation of financial statements. According to these regulations, expenses are a decrease in economic benefits in the form of disposal of assets or an increase in liabilities that lead to a decrease in equity (with the exception of a decrease in capital due to its withdrawal or distribution by owners)<sup>435,436</sup>.

In art. Art. 14 of the Tax Code of Ukraine defines expenses as the sum of any expenses incurred for the conduct of the taxpayer’s business activities in monetary, tangible or intangible forms, accompanied by a decrease in economic benefits by disposal of assets or an increase in liabilities, which leads to a decrease in equity (with the exception of changes in capital by owners in the form of its withdrawal or distribution).<sup>437</sup>

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<sup>434</sup> On accounting and financial reporting in Ukraine. Law of Ukraine of 16.07.99, No. 996-XIV. URL: <http://zakon.rada.gov.ua/laws/show/996-14>

<sup>435</sup> National Regulation (Standard) of Accounting 1 “General Requirements for Financial Reporting”. Order of the Ministry of Finance of Ukraine dated 07.02.2013. No. 73 (as amended). URL: <http://zakon.rada.gov.ua/laws/show/z0336-13>

<sup>436</sup> Methodical recommendations for filling out financial reporting forms No. 433. URL: <http://zakon.rada.gov.ua>.

<sup>437</sup> Tax Code of Ukraine dated 02.12.2010 No. 2755-VI. URL: <http://zakon.rada.gov.ua/laws/show/2755-17>

Expenses are a rather significant economic category, the question of the essence of which has been studied since the beginning of the comprehension of the facts and phenomena of economic life and the emergence of economic thought. In each of the directions of development of economic science, the understanding of expenses did not remain constant, but changed with the general development of economic theory and theoretical and practical aspects of their management. Generalization of the study of the evolution of the development of knowledge regarding the essence and content of the category “expenses” can be divided into five stages of development of knowledge about expenses.

The first stage is associated with the needs of economic entities of the Ancient World to determine and register the expenses of farming both at the state level and at the level of individual households.<sup>438</sup>

The second stage is associated with the emergence in Greece of the basics of the preparation of modern financial statements, which is based on a parallel reflection of income and expenses from various activities. At the same time, the chronology of recording operations led to the emergence of a new method—account.<sup>439</sup>

At the same time, as noted by O.V. Oliynyk and V.O. Ivanenko, there were no expense accounts, no negotiable statements were drawn up, balance sheet data were not generalized<sup>440</sup>. So, it should be noted that in the first two stages of the development of knowledge about expenses there were certain achievements, but there was no clear definition of the category of expenses.

A breakthrough in the formation of scientific and theoretical approaches to determining the economic essence and content

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<sup>438</sup> Dyakov R. Encyclopedia of a businessman, economist, manager. K.: International Economic Foundation, 2002. 706 p.

<sup>439</sup> Soroka S. The essence of expenses: historical aspect. Economic analysis. 2010. Issue 6. 154 p.

<sup>440</sup> Accounting: historical aspect. Results of dissertation studies of the Zhytomyr Scientific Accounting School: monograph. Zhytomyr: Zhdtu, 2006. 620 p.

of expenses should be considered the emergence in world economic science of two main theories, the focus of which is the cost indicator, namely: the labor theory of value and the theory of marginal utility. The third stage (XIV–late nineteenth century) is associated with them, making attempts to reveal the essence of the concept of “expenses” in various theories.

Thus, at the third stage (XIV-late nineteenth centuries), scientists define expenses as labor spent on the production of goods, invested capital and land used in the production process. The views of the founders of neoclassical theory were further developed in the early twentieth century. In the scientific works of M. Tugan-Baranovsky, who introduced into scientific circulation new concepts in content – “cost” and “labor value”. Cost, in contrast to the concept of “value”, is an economic expense that is carried out “for the sake of obtaining an object” and includes the expenditure of means of production and labor, labor value is part of this cost, namely, labor expenses<sup>441</sup>.

The next stage in the evolution of scientific knowledge regarding expenses is distinguished within the twentieth century and is associated with the use of economic and mathematical methods in cost theory and the names of such scientists as E. Schmalenbach, G. Fandel, J. Edgar Hoover, C. Harrison, C. Clark, A. Higgins, E.E. Slutsky.<sup>442</sup>

This stage begins at the end of the nineteenth century, continues in the twentieth century and is determined not only by the use of economic and mathematical methods, but also by further clarification of the economic essence of expenses, in particular within neoclassical theory and microeconomics, the definition of expenses as a separate object of management, accounting and analysis. The beginning of the development of the theory of expenses as an independent object of management, G. Fandel considers their division by E. Schmalenbach (1925) into constants and variables, as well

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<sup>441</sup> Accounting: historical aspect. Results of dissertation studies of the Zhytomyr Scientific Accounting School: monograph. Zhytomyr: Zhdtu, 2006. 620 p.

<sup>442</sup> Soroka S. The essence of expenses: historical aspect. Economic analysis. 2010. Issue 6. 154 p.



as his systematization of factors that determine the level of expenses and influence it. Schmalenbach E. formulated the concept of expenses as forming value and not related to the flow of payments for resources.<sup>443</sup>

It should be noted that economic expenses can be viewed from the standpoint of an individual producer (enterprise) – private expenses – or society as a whole – public spending. Accounting expenses of enterprises are not identical to its economic expenses. Characteristic features of accounting expenses are the following: the connection only with the payment of factors of production that come to the enterprise from the outside; not always a direct connection with the production process both substantively and in time; formation of expenses in accordance with regulatory and legislative acts to determine taxable profits; impact on financial results. The accounting expenses do not include additional (domestic) expenses, in the composition of economic expenses – neutral expenses (these are either non-production expenses or those that are not attributed to this period and this enterprise). Accounting expenses of enterprises form the cost of production (goods, works, services).

So, accounting is the cost of production, economic is an opportunity cost. Production expenses may coincide with alternative ones, but may not coincide. The latter is due to possible deviations in prices in the resource markets from equilibrium.

Thus, this stage of evolution of the essence of expenses (the end of the nineteenth and 2nd half of the twentieth century) is characterized by the existence of two approaches – accounting and economic. They do not contradict each other. Thus, the economic approach is useful for understanding the essence of expenses and justifying management decisions in the long term. More realistic, in our opinion, is the accounting approach to cost estimation, according to which the expenses of an enterprise should be understood as a complex of material and monetary resources for the implementation of economic

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<sup>443</sup> Soroka S. The essence of expenses: historical aspect. Economic analysis. 2010. Issue 6. 154 p.

activities of an enterprise, which is the basis for calculating the cost of production.

The accounting approach to determining expenses is an important tool for their operational management. Effective cost management of an enterprise is of particular relevance in a market economy. It is with its development in Ukraine that the next stage of development of knowledge about expenses (the end of the XX-early XXI centuries) should be associated, which concerns the further improvement of their management.

The concepts of “costs” and “expenses” are most fully and exhaustively defined by G.V. Kozachenko, Y.S. Pogorelov and G.V. Makukhin. In their opinion, “expenses are a value expression of the exchange and transformation of enterprise resources, as well as their uncompensated exit outside the enterprise”. Expenses, in turn, are considered “... as the past expenses of the enterprise, which were formed earlier and turned into the past in this reporting period”. The authors argue about the similarity of these categories and emphasize that the meaning of the concept of “expenses” is wider than “expenses”. Almost all expenses, except those that are written off in the reporting period, in their opinion, in accounting are expenses.<sup>444</sup>

The distinction between these categories plays an important role not only in theoretical terms, but also for their practical use in enterprise management. Taking into account that in modern conditions the economic approach to the essence of expenses is the most appropriate from the standpoint of objectivity and reliability of information for effective cost management.

Under the expenses should be understood the monetary expression of resources spent for the implementation of the main activity of the enterprise, which by exchange or transformation were used for a specific purpose. Expenses are a reliably estimated part of the expenses of the enterprise, which leads to a decrease in economic benefits in the form of an increase in liabilities or a decrease in assets and correlates with the income of the enterprise, for which it was carried out in the reporting period.

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<sup>444</sup> Dyakov R. Encyclopedia of a businessman, economist, manager. K.: International Economic Foundation, 2002. 706 p.

The study of various interpretations of the category of “expenses” during their historical development made it possible to summarize and clearly show the evolution of the development of knowledge regarding the essence and content of the category “expenses”. Consequently, the expenses of the enterprise objectively arise in the process of activity and are associated with the fact that the production process is inextricably linked with the consumption process.

The expenses of the enterprise are quite complex and very important from the point of view of accounting and management of the category, which determines the presence of a rather complex system of cost classification, depending on various aspects of their management.

In the financial statements of the enterprise, the expenses of activities on the basis of methodological recommendations for the formation of financial statements are reflected in the Statement of Financial Results (Statement of Total Revenue). Methodological recommendations determine the content and form of the Statement of Financial Results (Statement of Total Revenue), as well as general requirements for the disclosure of its articles. It indicates the correctness of the recognition of expenses and the control of the order of their reflection in the report.

The methodological principles of the formation in accounting of information on the expenses of the enterprise and its disclosure in the financial statements are determined by the National Regulation (standard) of accounting 16 “Expenses”. The norms of this standard apply to all enterprises, organizations, regardless of the form of ownership, except for budgetary institutions and banks.<sup>445</sup>

In general, the expenses of the enterprise for the purpose of accounting, analysis and control over the sphere of occurrence and the method of their inclusion in the cost price can be divided into two groups (Fig. 3.1).

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<sup>445</sup> National Regulation (Standard) of Accounting 16 “Expenses”. Order of the Ministry of Finance of Ukraine dated 31.12.1999 No. 318. URL: <http://zakon4.rada.gov.ua/laws/show/z0027-00>

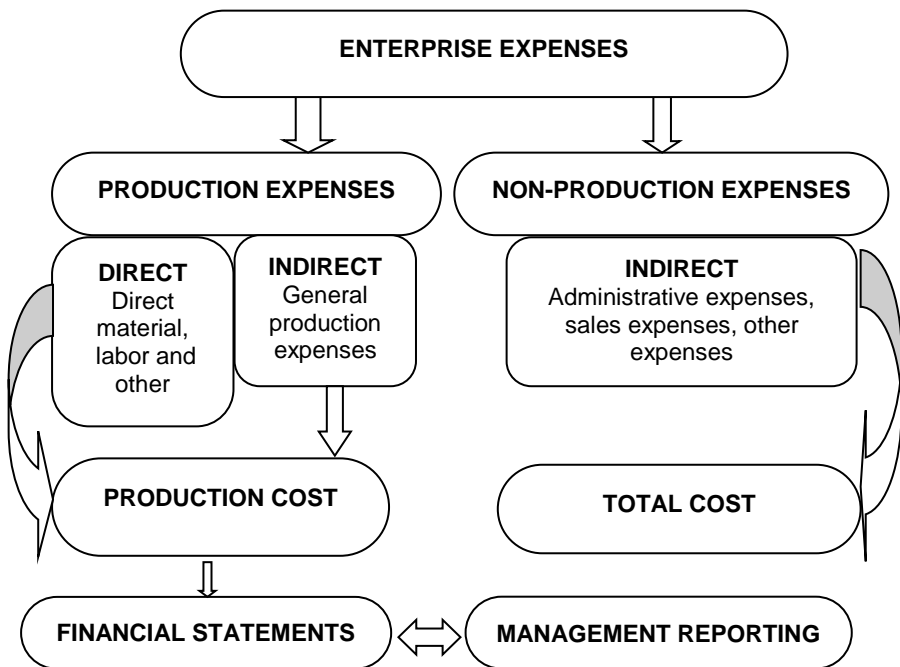


Fig. 3.1. Classification of expenses by area of occurrence and method of inclusion in the cost of production

Source: systematized by the authors

In the production process, the expenses of production are formed, which form the production cost, and the cost of production and sales – the total cost of production. The list of current expenses included in the cost price is defined in the Methodological Recommendations for planning, accounting and calculating the cost of production (works, services) of agricultural enterprises, approved by the order of the Ministry of Agrarian Policy of Ukraine dated 18.05.2001 No. 132.

The list and composition of the articles of calculation of the production cost of production (works, services) on the basis of the specified regulatory act is established by the agricultural enterprise independently in the order on accounting policies.<sup>446</sup>

<sup>446</sup> Methodical recommendations for planning, accounting and calculating the

According to NR(S)A 16 “Expenses”, the production cost of products (works, services) includes direct material expenses; direct labor expenses; other direct expenses; overhead expenses.<sup>447</sup>

According to the method of inclusion in the cost price, expenses are divided into direct and indirect. Direct expenses are those that can be directly attributed to a specific cost object and included in the cost of production (works, services).

Indirect expenses are expenses that cannot be attributed directly to a particular object in an economically feasible way. Such expenses relate to the cultivation of many crops, several groups of animals, the performance of various works.

To be included in the cost price, these expenses must first be distributed among the objects of accounting. Therefore, in practice, they are often called those that are distributed, and according to NR(S)A 16 “Expenses” – overhead expenses. In accordance with NR(S)A 16 “Expenses”, expenses related to operating activities that are not included in the cost of agricultural products (works, services), but are related to the expenses of activity and are written off for financial results, are administrative expenses, sales expenses and other operating expenses.<sup>448</sup>

The basis for the organization of accounting of business transactions are primary documents that record the facts of business transactions. Filling in primary documents, that is, recording in them carrying out business transactions, is regulated by the Regulation on documentary support of records in accounting dated May 24, 1995 No. 88.<sup>449</sup>

According to the Plan of Accounts for accounting of assets,

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cost of goods (works, services) of agricultural enterprises No. 132 URL: <http://zakon.rada.gov.ua>.

<sup>447</sup> National Regulation (Standard) of Accounting 16 "Expenses". Order of the Ministry of Finance of Ukraine dated 31.12.1999 No. 318. URL: <http://zakon4.rada.gov.ua/laws/show/z0027-00>

<sup>448</sup> National Regulation (Standard) of Accounting 16 “Expenses”. Order of the Ministry of Finance of Ukraine dated 31.12.1999 No. 318. URL: <http://zakon4.rada.gov.ua/laws/show/z0027-00>

<sup>449</sup> Regulation on documentary support of records in accounting URL: <http://zakon.rada.gov.ua>.

capital, liabilities and business operations of enterprises and organizations, approved by the order of the Ministry of Finance of Ukraine dated November 30, 1999 No. 291, synthetic accounting of expenses of activities is carried out on accounts of class 9 "Expenses of activity", namely: 90 "Cost of sales", 91 "General production expenses", 92 "Administrative expenses", 93 "Sales expenses", 94 "Other expenses of operating activities", 95 "Financial expenses", 96 "Losses from participation in capital", 97 "Other expenses", 98 "Revenue tax".<sup>450</sup>

In accordance with the Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, approved by the order of the Ministry of Finance of Ukraine dated November 30, 1999 No. 291, class 9 accounts "Expenses of activity" are used to summarize information on the expenses of operating, investment, financial activities and the expenses of preventing emergencies and eliminating their consequences. The debit of accounts of this class reflects the amount of expenses, on the loan – the write-off of the amount of expenses at the end of the reporting year or monthly to account 79 "Financial results".<sup>451</sup>

The Order "On approval of specialized forms of registers of journal-order form of accounting for agricultural enterprises and Methodical recommendations for their application" of 4.06.2009 No. 390 established that the registers of synthetic accounting of production expenses are journals-orders for journal-order form of accounting.<sup>452</sup>

The main tasks for the organization of accounting for the

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<sup>450</sup> Plan of accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations dated 21.12.1999 No. 291 (as amended) URL: <http://zakon.rada.gov.ua>.

<sup>451</sup> Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations dated 21.12.1999 No. 291 (as amended). URL: <http://zakon.rada.gov.ua>.

<sup>452</sup> Methodical recommendations on the use of specialized forms of registers of journal-order form of accounting for agricultural enterprises dated 04.06.2009 No. 390 URL: <http://zakon.rada.gov.ua>.

expenses of activities are:

- ensuring the correct definition and reliable assessment of the expenses of activity;
- delimitation of the expenses of activity for each classification group;
- correct and complete documentation and timely reflection in the accounting registers of expenses of activities;
- providing complete and reliable information about the expenses of activities for management needs.<sup>453</sup>

Revenue, as a source of further activity of the enterprise, covering production expenses, providing workers and the state with financial resources necessary for the life of all parties, occupies an important place in the overall system of accounting and analytical support of enterprises. Revenue is an extremely widespread, widely used and at the same time multivalued concept used in various meanings. Studies show that the concepts of “revenue” and “revenue”, “revenue” and “profit” are identified in the economic literature. Revenue, revenue and profit are closely interrelated, but their accounting essence is different (Fig. 3.2).

From the figure it follows that the categories “revenue” and “profit” are not interchangeable, but only complement each other. They have their own value structure and differ in function and role performed in the process of reproduction. The concept of revenue is much broader, since it covers the entire value of the newly created value, while profit characterizes only part of it. Profit is a value form of an additional product, and revenue is part of the required and additional product. Consider the regulatory regulation of accounting in terms of revenue and financial results (Fig. 3.3).

According to Fig. 3.3 shows that the state regulates only certain aspects of the accounting formation and distribution of revenue and financial results, while leaving a wide range of variability, which allows owners to choose the best alternative

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<sup>453</sup> Karpiak Y.S. Organization of accounting for expenses, revenue and financial results of a business entity. *Bulletin of Lviv Polytechnic National University "Management and entrepreneurship in Ukraine: stages of formation and problems of development"*. 2014. No. 794. pp. 172-180.

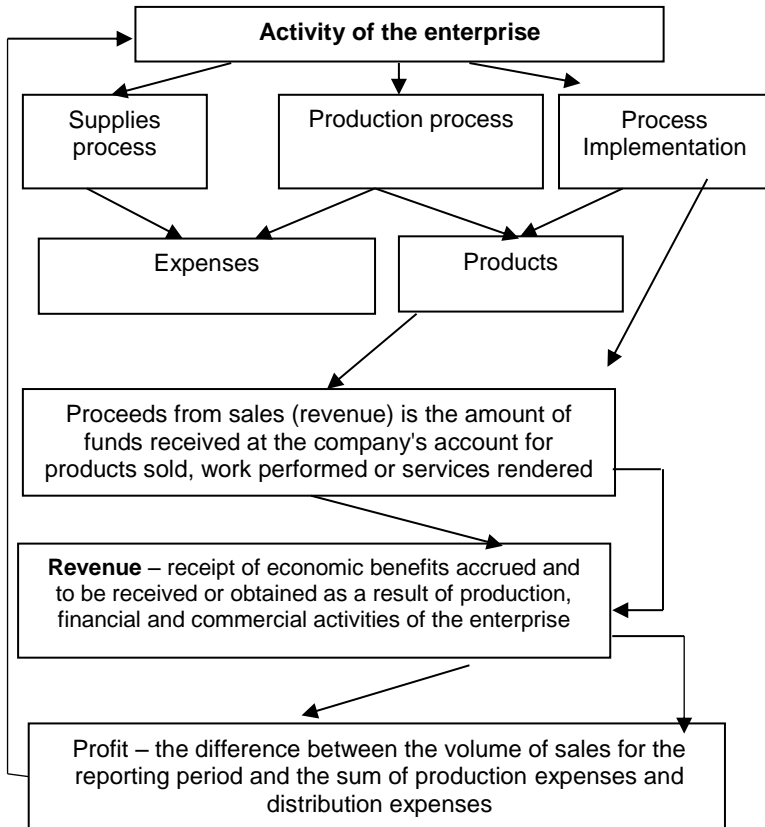


Fig. 3.2. The scheme of the relationship between revenue, revenue and profit

Source: <sup>454</sup>

option, taking into account the specifics of the business entity. <sup>455</sup>

<sup>454</sup> Podolianchuk O.A. Revenue: problematic aspects of essence and classification. *Collection of scientific works of the Tavria State Agrotechnological University*. Melitopol: Publishing house Melitopol typography "Lux", 2010. No. 3 (11). 530 p.

<sup>455</sup> Lagovska O.A. Revenue and financial results as objects of accounting policy. *Bulletin of the Railway Technical University*. 2006. No. 2 (36). pp. 53–59.



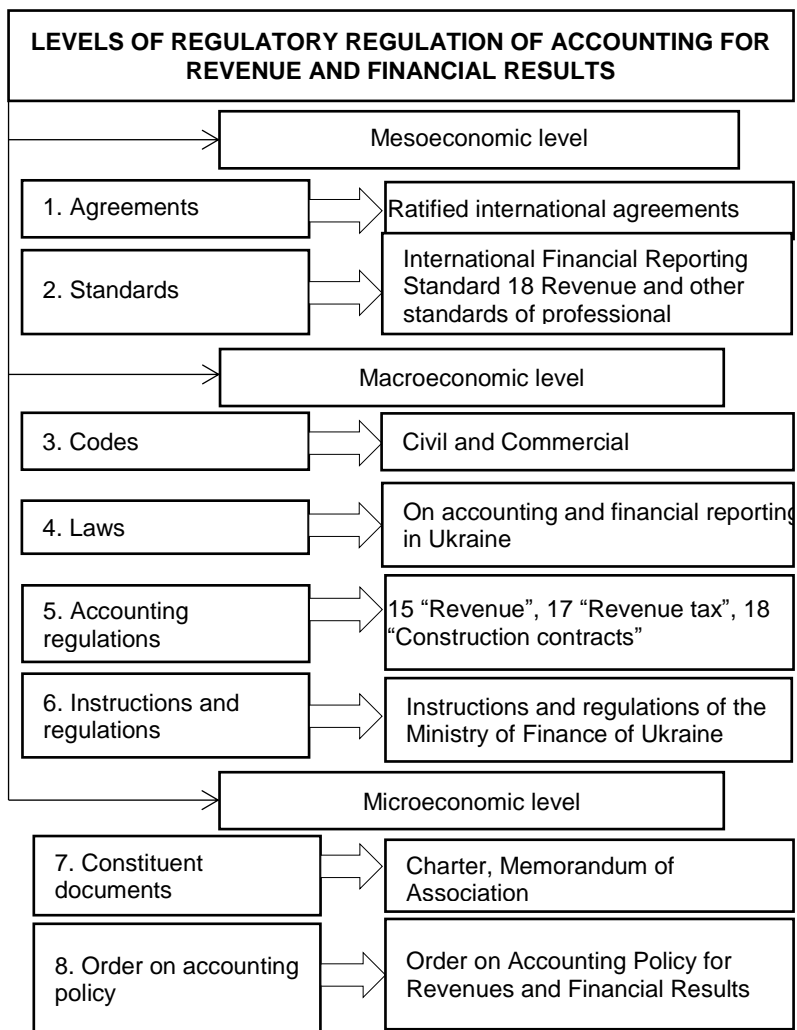


Fig. 3.3. Levels of regulatory regulation of accounting of transactions with revenue and financial results

Source: <sup>456</sup>

<sup>456</sup> Lagovska O.A. Revenue and financial results as objects of accounting policy. *Bulletin of the Railway Technical University*. 2006. No. 2 (36). pp. 53–59.

Revenues are included in the objects of the accounting process on the basis of the principle of accrual and compliance. One of the features of the organization of the reflection of operating revenue in accounting is the organization of their assessment, which depends entirely on the recognition of revenue.<sup>457</sup>

For the recognition of revenue, NR(S)A 15 establishes two mandatory conditions:

- an increase in the asset or a decrease in liability, which causes an increase in equity (with the exception of capital growth due to contributions from participants of the enterprise);
- revenue estimate can be reliably determined.<sup>458</sup>

These are general criteria for recognizing revenue. Nevertheless, there are features that depend on the type of revenue.<sup>459</sup>

Revenue (revenue) from the sale of products (goods, other assets) is recognized if all of the following conditions are present:

- the buyer has been transferred risks and benefits associated with the ownership of products (goods, other assets);
- the company does not further manage and control over the products sold (goods, other assets);
- the amount of revenue can be reliably determined;
- there is confidence that as a result of the transaction there will be an increase in the economic benefits of the enterprise, and the expenses associated with this operation can be reliably determined.<sup>460</sup>

Revenue is not recognized if there is an exchange of products (goods, works, services and other assets) that are

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<sup>457</sup> Tearko T. M., Mazina O. I. Organization of accounting: Textbook. posib. for stud. higher. training. zakl. K.: Kyiv. National. torg.-econ. un-t, 2014. 368 p.

<sup>458</sup> NR(S)A15 “Revenue”: order of the Ministry of Finance of Ukraine dated 29.11.99. No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>459</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

<sup>460</sup> NR(S)A15 “Revenue”: order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

similar in purpose and have the same fair value.<sup>461</sup>

Revenue related to the provision of services is recognized on the basis of the degree of completion of operations for the provision of services on the balance sheet date, if it is possible to reliably assess the result of this operation.<sup>462</sup>

The degree of completion of the operation for the provision of services can be determined by one of the methods that the company chooses independently, namely, by:

1. Study of the work done;
2. Determining the proportion of services provided on a certain date in the total volume of services to be provided;
3. Determination of the share of current expenses incurred by the company in connection with the provision of services in the total, expected amount of such expenses.

The amount of expenses incurred on a particular date should cover current expenses that reflect the volume of services provided on that same date.

It is important that at the end of the provision of services (transfer of ownership), the amount of revenue is finally determined and specified.

Studies show that most often enterprises use the first method – by determining the actual volume of services provided, less often they use the second method and, practically, do not use the third method. Taking into account the degree of completion, revenue from the performance of work under a construction contract is also determined. In NR(S)A 18 “Construction contracts” methods for determining the degree of completion of work are given, among which, in addition to methods based on the ratio of work or expenses, the method of measurement and evaluation of work performed, which is the most accurate and applied, is given.<sup>463</sup>

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<sup>461</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

<sup>462</sup> NR(S)A15 “Revenue”: order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>463</sup> National regulation (standard) of accounting 18 “Construction contracts”. Order of the Ministry of Finance of Ukraine No. 205 of 28.04.2001. URL: <http://http://zakon3.rada.gov.ua>.

It is believed that the result can be reliably estimated in the presence of all the following conditions:

- the possibility of a reliable assessment of revenue;
- the probability of receiving economic benefits from the provision of services;
- the possibility of a reliable assessment of the degree of completion of the provision of services on the balance sheet date;
- the possibility of a reliable assessment of the expenses incurred for the provision of services and necessary for their completion.<sup>464</sup>

If the services consist in performing an indefinite number of actions (operations) for a certain period, then the revenue is determined by its uniform accrual for this period. The exceptions are cases when another method better determines the degree of completion of the provision of services.<sup>465</sup>

In the case when it is impossible to reliably determine the revenue (revenue) from the provision of services, then it is reflected in the accounting in the amount of certain expenses to be reimbursed. If at the same time there is also no likelihood of reimbursement of expenses incurred, then revenue is not recognized at all. But if in the future the amount of revenue can be reliably estimated, the revenue will be recognized by such an assessment.<sup>466</sup>

The procedure for recognizing revenue from the use of assets of the enterprise by other business entities (in the form of interest, dividends and royalties) is shown in Table 3.1.

Revenue does not recognize the amounts received from other persons, namely:

- the amount of VAT, excise taxes, other taxes and mandatory payments to be transferred to the budget and extrabudgetary funds;
- the amount of receipts under the commission agreement, agency and other similar agreement in favor of the committent,

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<sup>464</sup> NR(S)A15 "Revenue": order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>465</sup> The same source.

<sup>466</sup> The same source.

principal, etc.;

- the amount of prepayment for products (goods, works, services);
- the amount of the deposit on bail or in repayment of the loan, if it is provided for by the relevant agreement;
- receipts owned by other persons;
- proceeds from the initial placement of securities;
- the amount of the book value of the currency.<sup>467</sup>

*Table 3.1*

### **The procedure for the recognition of passive revenue**

No.	Type of revenue	When recognized
1	Interest	In the reporting period to which they belong, based on the basis of their accrual and the period of use of the transferred assets, taking into account the economic content of the relevant agreement
2	Royalty	According to the principle of accrual in accordance with the economic content of the relevant agreement
3	Dividends	In the period of the decision to pay them

*Source:* <sup>468</sup>

In general, revenue is reflected in the accounting in the amount of the fair value of assets received or to be received.<sup>469</sup>

The amount of revenue under a barter contract is determined by the fair value of the assets, works, services received or to be received, reduced or increased, respectively, by the amount of cash transferred or received and their equivalents.<sup>470</sup>

Revenue is reflected in accounting in the amount of the fair value of assets received or to be received.

If a free-of-charge asset provides economic benefits for several reporting periods, then revenue is recognized on a

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<sup>467</sup> NR(S)A 15 “Revenue”: order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>468</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

<sup>469</sup> NR(S)A 15 “Revenue”: order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>470</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

systematic basis (for example, in the amount of accrued depreciation) during those reporting periods when the corresponding economic benefits are received.

In the event of a deferred payment, resulting in a difference between fair value and the nominal amount of cash or cash equivalents to be received for products (goods, works, services and other assets), such a difference is recognized as revenue in the form of interest.

The amount of revenue under a barter contract is determined by the fair value of assets, works, services received or to be received by the enterprise, reduced or increased, respectively, by the amount of funds transferred or received and their equivalents.

If the fair value of assets, works, services received or to be obtained under a barter contract cannot be reliably determined, then the revenue is determined by the fair value of the assets, works, services (other than cash and cash equivalents) transferred under this barter contract.<sup>471</sup>

For the purposes of accounting and financial reporting, all revenues of the enterprise are classified by type of activity. What types of activities are provided for by national accounting standards are shown in Fig. 3.4.

Operational activity is the main activity of the enterprise, as well as other activities that are not investment or financial activities.

The main activity includes operations related to the production or sale of products (goods, works, services), which is the main goal of creating an enterprise and providing the main share of its revenue.

Other operating activities include the sale of other current assets (except for financial investments), operations to provide property for operational lease (if this is a non-basic activity of the enterprise), the creation of a reserve of doubtful debts, the purchase and sale of foreign currency, etc.

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<sup>471</sup> NR(S)A 15 "Revenue": order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

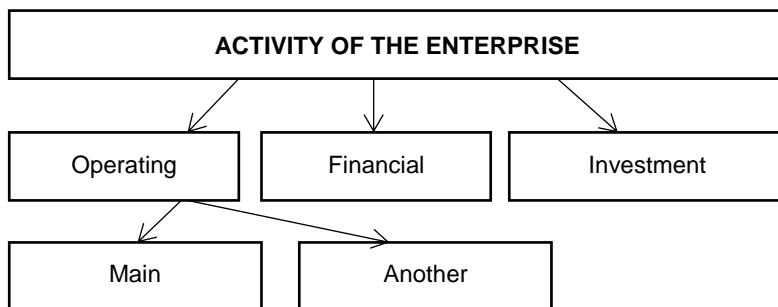


Fig. 3.4. Classification of activities of the enterprise  
 Source: <sup>472</sup>

Financial activity is an activity that leads to changes in the size and composition of the company's own and borrowed capital.

Investment activity *is* the acquisition and sale of those non-current assets, as well as those financial investments that are not an integral part of cash equivalents (money).<sup>473</sup>

Recognized revenue is classified in accounting into the following groups:

- revenue (revenue) from the sale of products (goods, works, services);
- net revenue from the sale of products (goods, works, services);
- other operating revenue;
- financial revenue;
- other revenue.<sup>474</sup>

Revenue (revenue) from the sale of products (goods, works, services) is the total revenue (revenue) from the sale of products, goods, works or services without deducting the discounts provided, the return of previously sold goods and

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<sup>472</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

<sup>473</sup> The same source.

<sup>474</sup> National Regulation (Standard) of Accounting 15 "Revenue": order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

indirect taxes and fees (VAT, excise tax, etc.).

Net revenue from the sale of products (goods, works, services) is the same revenue, but already cleared of the amounts of discounts provided, indirect taxes and fees, the value of goods returned previously sold, as well as revenue owned under contracts to committers (principals, etc.).<sup>475</sup>

Other operating revenue includes all other revenue of operating activities, except for net revenue from the sale of products (goods, works, services), in particular, revenue from:

- initial recognition and from changes in the value of assets that are accounted for at fair value;

- purchase and sale of foreign currency;

- sale of current assets (except for finished products, goods and financial investments), non-current assets held for sale, and disposal groups;

1. Operating lease of assets;

- operational exchange rate differences;

- received fines, penalties, penalties;

2. Reimbursement of previously written off current assets;

- write-off of accounts payable arising during the operating cycle;

- free of charge received current assets (except for financial investments) and targeted financing related to the operating activities of the enterprise;

- royalties, interest received on the balances of funds on current accounts in banks, etc.<sup>476</sup>

Financial revenue includes dividends, interest and other revenue received from financial investments (except for revenue, which is recorded using the method of participation in capital).

Other revenue contains revenue that arises in the course of economic activity, but is not related to the operational and financial activities of the enterprise. This, in particular, revenue from:

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<sup>475</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

<sup>476</sup> The same source.



- changes in the value of financial instruments;
- implementation of financial investments;
- restoration of the usefulness of assets;
- non-operational exchange rate differences;
- free of charge received non-current assets, financial investments and targeted financing of capital investments;
- write-off of accounts payable that arose not during the operating cycle, after the expiration of the limitation period;
- revaluation of non-current assets within the limits of previous markdowns and reductions in the usefulness of assets, etc.<sup>477</sup>

Classification of revenue by type of activity of the enterprise and their place in the accounts of accounting is given in the Table 3.2.

*Table 3.2*

**Classification of revenue by type of activity**

Activity		Business transactions	Revenue
Operational	Main	Implementation:	
		– finished products	701
		– goods	702
		– works, services	703
		Making deductions from revenue	704
Operational	Other operational	Initial recognition and change in the value of assets that are accounted for at fair value	710
		Purchase and sale of foreign currency	711
		Realization of other current assets (other than financial investments), non-current assets and disposal groups held for sale	712
		Provision of assets for operational lease	713
		The emergence of operational exchange rate differences	714
		Accrual of fines, penalties, penalties to be received	715
		Reimbursement of current assets	716

<sup>477</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

		Write-off of accounts payable and bad receivables, formation of a reserve of doubtful debts	717
		Free receipt of current assets (except for financial investments)	718
		Revaluation of Supplies and losses from their depreciation	719
		Other operating revenue	719
Financial		Making investments in associated enterprises	721
		Investing in joint activities	722
		Investing in subsidiaries	723
		Receiving dividends	731
		Receiving interest	732
		Other revenue from financial transactions	733
Investment		Change in the value of financial instruments	740
		Realization of financial investments	741
		Asset utility recovery	742
		The emergence of non-operational exchange rate differences	744
		Free receipt of non-current assets	745
		Revaluation of non-current assets and financial investments	746
		Reimbursement of non-current assets	746
		Other revenue	746

Source: <sup>478</sup>

For management needs, revenue is classified as follows (Table 3.3).

The general principles of the organization of accounting for revenue and results of activities provide for the allocation of the goals and objectives of such a process.

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<sup>478</sup> Tsarevskaya T. Classification of revenue and expenses by type of activity. Taxes and accounting. 2019. No. 99. URL: <https://i.factor.ua/ukr/journals/nibu/2019/december/issue-99/article-105875.html>

Table 3.3

**Revenue classification for management needs**

No.	Signs of classification	Classification
1	If possible to receive	Valid, possible
2	By the method of recognition	Accrued, received (paid)
3	By control capability	subject to management, not subject to management
4	By methods of receipt	Permanent, random
5	According to the form of receipt	Monetary, non-monetary
6	By essence	Essential, insignificant
7	By source of receipt	Internal, external
8	By type of business transactions	from sales, from financial transactions, from investment activities, other revenue from ordinary operations
9	By economic segments	type of products (goods, works, services), the nature of the production process, the method of generating revenue (distribution of products, goods, works and services), the category of buyers, the risks characteristic of this activity
10	By biological components	Crop production, animal husbandry

Source: <sup>479</sup>

The purpose of organizing the accounting of revenue and results of activities is to provide users with the necessary and timely information about the revenue and financial results of the enterprise in a timely manner.

The tasks of organizing the accounting of revenue and financial results include:

- organization of the correct reflection of revenue. What does the company get;
- organization of timely calculation of results and profits, payment of taxes on them.

The organization of accounting depends on many factors. The main factors and characteristics of their influence on the

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<sup>479</sup> Podolianchuk O.A. Revenue: problematic aspects of essence and classification. *Collection of scientific works of the Tavria State Agrotechnological University*. Melitopol: Publishing house Melitopol typography "Lux", 2010. No. 3 (11). 530 p.

organization of accounting for revenue and financial results are given in Table 3.4.

*Table 3.4*

**The influence of factors on the organization of financial accounting of revenue and financial results**

Factor	Impact on the organization of accounting for revenue and financial results
Industry and type of activity	The composition of revenue and expenses, the distribution of responsibilities for their registration in primary documents, the list and content of primary documents, the procedure for accumulating revenue and expenses in accounting registers, the method of calculating financial results, the procedure for adjusting their size for inventory results, the procedure for reflecting in the reporting
Form of ownership, organizational legal form	The composition of revenue and expenses, the method of calculating financial results, the structure of financial results, the distribution of responsibilities for the formation of financial results, the procedure for using profits (covering losses), reflected in the statements
Tax system	Types of permanent and temporary differences, methods of calculating financial results, deferred tax assets and tax liabilities, use of taxable profits, the procedure for reflecting revenue, expenses, financial results in the statements
Pricing features	The procedure for the formation and composition of the sale price (revenue from sales)
Development strategy	Composition of revenue and expenses, methods of calculating financial results, structure of financial results, the procedure for distributing profits and covering losses, reporting
Scope of activity	Distribution of responsibilities for the formation of financial results, their accounting and reflection in the statements
Automation level	Distribution of responsibilities for the formation of financial results, the composition of revenue and expenses, methods for determining financial results, types of financial results
State regulation	Methods of formation of financial results, the procedure for accumulating revenue and expenses in accounting registers, reflected in the statements
Information support on economic and legal issues	The procedure for calculating and reflecting financial results in accounting and reporting, the movement of information flows regarding revenue, expenses and financial results

Qualification level of accounting personnel	Distribution of responsibilities for determining financial results, the procedure for accumulating information on revenue, expenses and financial results, types of financial results
Material incentives	The procedure for accumulating information on revenue, expenses and financial results, types of financial results
The economic situation of the country	Composition and procedure for the formation of financial results, their adjustment to the level of inflation, methods of reflection in the reporting, the procedure for using profits, covering losses

Source: <sup>480</sup>

Rational organization of accounting for revenue, expenses and financial results should be based on the adoption of three groups of decisions: organizational, technological and meto wild, which is summarized in Fig. 3.5.

The sequence of organization of the accounting process of revenue and financial results is shown in the model in Fig. 3.6.

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<sup>480</sup> Pravdiuk N.L. Formation of accounting policy in the management of agricultural enterprises. *Economics of the agro-industrial complex*. 2005. No. 8. pp. 79–85.

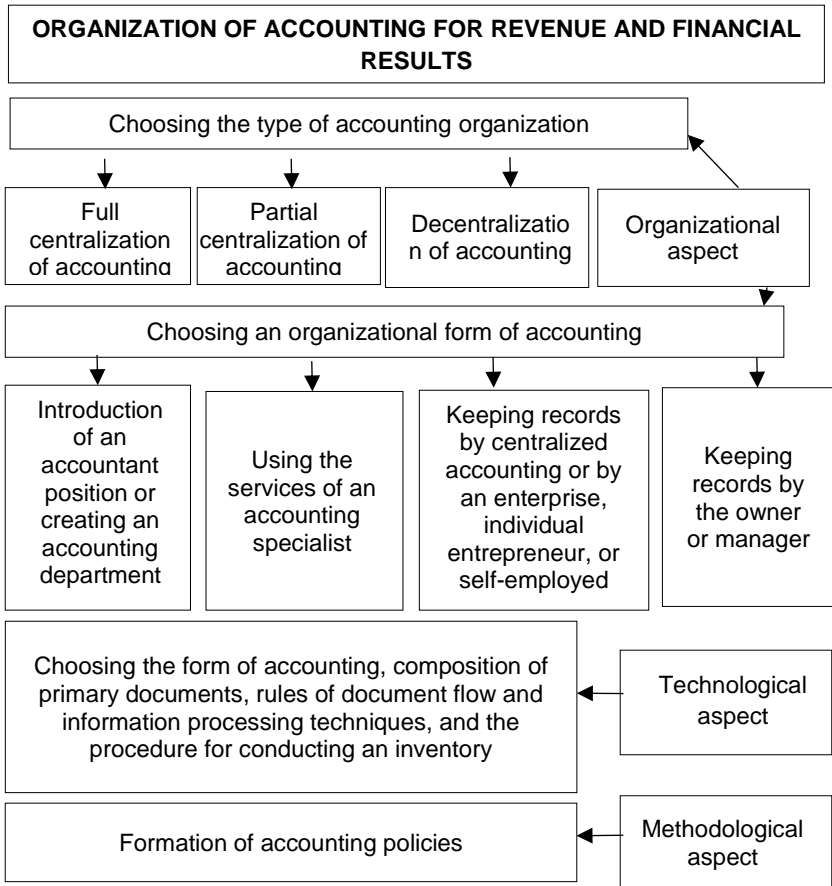


Fig. 3.5. Organization of financial accounting of revenue and financial results

Source: <sup>481</sup>

<sup>481</sup> Prokhar N.V., Nochova Y.O. Accounting for revenue, expenses and financial results: problems of theory and practice: monograph. Poltava : RVV PUET, 2011. 257 p.

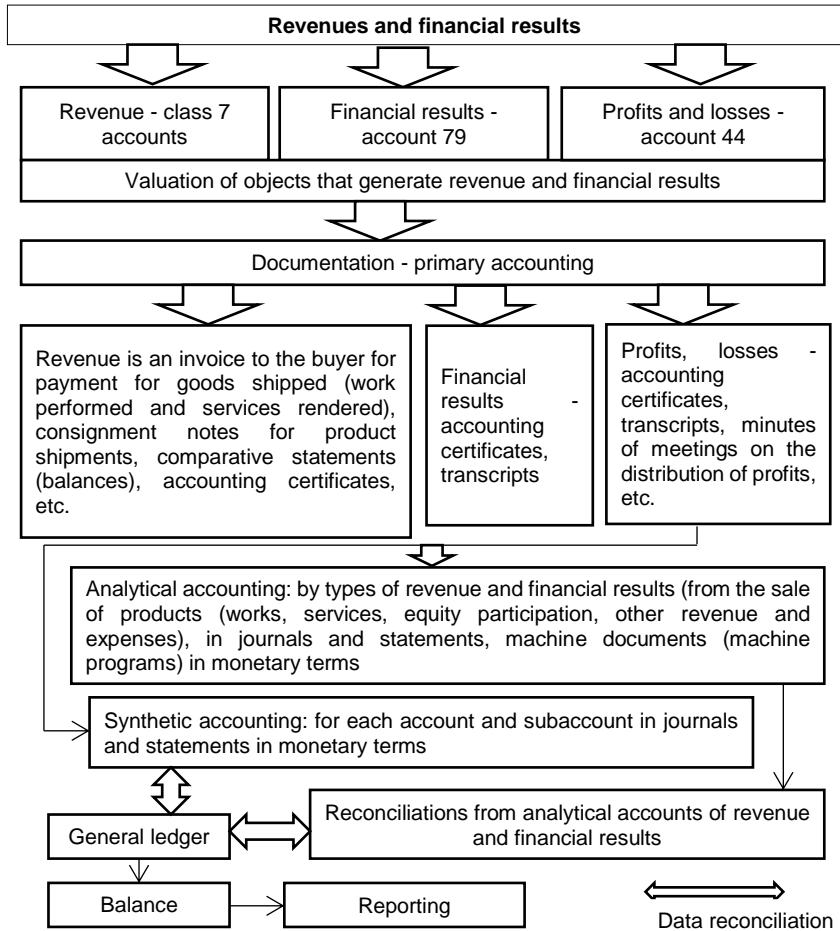


Fig. 3.6. Model of organization of accounting for revenue and financial results

Source: <sup>482</sup>

<sup>482</sup> Tearko T.M., Mazina O.I. Organization of accounting: Textbook for student higher training. K.: Kyiv. National. torg.-econ. un-t, 2014. 368 p.

### **3.2. Accounting policy regarding accounting of expenses, revenue and results of activity**

The financial result of the enterprise depends on the disclosure in the accounting policy of such basic objects as revenue and expenses of the reporting period. The relationship of these main objects lies in the fact that a change in the value of one of them leads to a change in the other and can significantly affect the financial results of the enterprise, its financial stability and the rate of economic growth, so it is worth defining some mechanisms for managing the expenses of the enterprise, in particular the methods and techniques on the basis of which you can get accurate information about expenses and make informed management decisions.<sup>483</sup>

The Order on accounting policies should provide for methodological issues regarding the accounting of expenses of the enterprise.

The main elements that need to be disclosed in the accounting policy on the object of cost accounting are as follows:

- primary documents on cost accounting and schedules of their workflow;
- selection of the class of accounts for cost accounting;
- list of subaccounts and analytical accounts required to be reflected in the accounting of expenses;
- the composition of expenses of future periods and the procedure for their write-off;
- the procedure for attributing expenses to financial results (monthly, quarterly);
- the composition of expenses that form the cost of production and sales of products;
- list of calculation articles;
- methods of calculating the cost of production;
- methods of distribution of production expenses in work in progress;
- list and composition of variable and fixed overhead

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<sup>483</sup> Partin G.O. System-oriented cost management of an industrial enterprise: Monograph. L. : ZUKC, PE SMF "Biapr", 2011, 200 p.



expenses;

- method of distribution of overhead expenses (determination of the distribution base);
- distribution of expenses by production units and cost centers;
- list of cost accounting objects, calculation objects and calculation units;
- cost accounting system;
- option of consolidated accounting of production expenses;
- methods of developing budget expenditures and analyzing deviations of actual indicators from the budget;
- methods of cost analysis.

Clear definition and disclosure of elements of accounting policy and, accordingly, accounting (financial) and management accounting enables the company to receive reliable information for managing the expenses of its financial and economic activities.

There is a fairly wide range of factors affecting the formation of accounting policies in terms of the organization of cost accounting:<sup>484</sup>

- form of ownership and organizational and legal form of the enterprise;
- industry affiliation and type of activity of the enterprise;
- organizational structure of management and the presence of structural units and their economic interconnections;
- production structure of the enterprise;
- the scale of the enterprise;
- type of production and its type;
- technological features of the production process;
- strategy of financial and economic development;
- pricing system;
- the level of automation of production processes;
- organization of supplies and marketing activities;
- availability of an effective internal control system;
- list of cost centers and areas of responsibility;
- internal reporting system.

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<sup>484</sup> Pushkar M.S. Theory and practice of accounting policy formation: Monograph. Ternopil : Cartebianche, 2010. 260 pp.

During the formation of accounting policies in terms of the organization of cost accounting, it is necessary to determine the constituent elements of the methodological aspect for the purposes of financial and management accounting.

The accounting policy of an enterprise should reflect only those methodological aspects for which there is an alternative, or those for which it is necessary to develop a accounting methodology on their own.

In Table 3.5. the elements of accounting policy in terms of the organization of accounting and their alternative options are given in accordance with: Instructions on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, Regulation (standard) of accounting 16 “Expenses”, Methodical recommendations for the formation of the cost of production (works, services).<sup>485,486</sup>

*Table 3.5*

**Components of accounting policy in terms of the organization of cost accounting**

No.	Elements of an accounting policy object	Alternative cost accounting options
1	Primary documents on cost accounting and schedules of their workflow	It is established by the enterprise independently based on industry characteristics and management needs.
2	Choosing a class of accounts for cost accounting	- using class 8 accounts “Expenses by elements”; - using accounting accounts of class 9 “Expenses of activity”; - using accounts of classes 8 “Expenses by elements” and 9 “Expenses of activity”

<sup>485</sup> Instruction "On the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations" dated 30.11.1999, No. 291, as amended by URL: <http://www.zakon.rada.gov.ua/>.

<sup>486</sup> Regulation (standard) of accounting 16 “Expenses”, approved by the Order of the Ministry of Finance of Ukraine dated 31.12.99, No. 318, with the following amendments and additions to the URL: <http://zakon.rada.gov.ua>.

3	List of subaccounts and analytical accounts required to be reflected in the cost accounting	It is established by the enterprise independently based on industry characteristics and management needs.
4	The composition of the expenses of future periods and the procedure for their write-off	It is established by the enterprise independently based on industry characteristics and management needs.
5	The procedure for attributing expenses to financial results	It is established by the enterprise independently on the basis of industry characteristics and management needs (monthly, quarterly, annually)
6	The composition of expenses that form the cost of production and sales of products	It is established by the enterprise independently based on industry characteristics and management needs.
7	List of calculation articles	It is established by the enterprise independently based on industry characteristics and management needs.
8	Methods of calculating the cost of production	- Posamovniy; - Secondary; - Regulatory
9	Methods of distribution of production expenses in work in work in progress	It is established by the enterprise independently based on industry characteristics and management needs.
10	List and composition of variable and fixed overhead expenses	It is installed by the enterprise independently depending on the specifics of production
11	Method of distribution of overhead expenses (determination of the distribution base)	- opening hours; -Wage; - volume of activity; - direct expenses
12	Distribution of expenses by production units and cost centers	It is established by the enterprise independently based on industry characteristics and management needs.
13	List of cost accounting objects, calculation objects and calculation units	It is established by the enterprise independently based on industry characteristics and management needs. Objects can be defined by: - types of products; - divisions of the enterprise; - centers of responsibility; - activities

14	Cost accounting system	- full expenses; - incomplete expenses
15	Option of consolidated accounting of production expenses	- napivfabričatry; - beznapivfabričatry
16	Methods of developing budget expenditures and analyzing deviations of actual indicators from the budget	It is established by the enterprise independently based on industry characteristics and management needs.
17	Cost analysis methods	It is established by the enterprise independently based on industry characteristics and management needs.

Source: <sup>487</sup>

So, of great importance at the stage of formation of the accounting policy of enterprises is the definition of its elements in terms of cost accounting. The regulatory documents provide requirements for the main aspects of accounting policies and alternative options for accounting for expenses, but do not take into account the organizational, technological and industry features of enterprises, therefore, the development of the Order on the accounting policy of a business entity is an important element of accounting work, which will ensure the provision of complete, timely and reliable information about the expenses of the enterprise.

The process of developing accounting policies is carried out in the context of the relevant objects, which necessitates the clarification of the concepts of the object and element of accounting policy.

The object of accounting policy refers to any norm or position of an enterprise for the organization and maintenance of accounting, in respect of which there are alternative options. An element of accounting policy is possible methodological methods, methods and procedures that are selected from among the generally accepted ones, taking into account the peculiarities of the enterprise. The highlighted elements of the

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<sup>487</sup> Methodical recommendations for the formation of the cost of production (works, services) in industry, approved by the Order of the Ministry of Industrial Policy of Ukraine dated 09.07.2007 No. 373.

conceptual apparatus regarding the accounting policy of enterprises provide a systematization of the presentation of the process of formation, content and implementation of accounting policies.<sup>488</sup>

The most important indicator of the work of the enterprise is the size and nature of the profit (loss) for each period of its activity, which is defined as the difference between the revenue and expenses of the enterprise. The use by the enterprise of elements of the accounting policy regarding revenue and expenses significantly affect the financial result of the enterprise.<sup>489,490</sup>

The formation of accounting policies for revenue and financial results is carried out on the basis of the Tax Code of Ukraine, the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, the National Regulation (standard) of Accounting 1 “General requirements for financial reporting”, Regulation (standard) of accounting 15 “Revenue”, Regulation (standard) of accounting 16 “Expenses”, Regulation (standard) of accounting 18 “Construction contracts”, Instructions to the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations, Methodical recommendations on the accounting policy of the enterprise, the letter of the Ministry of Finance of Ukraine “On accounting policy”.<sup>491</sup>

We will investigate the procedure for developing accounting policies for such objects as revenue and financial results in terms of determining its elements (Table 3.6).

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<sup>488</sup> Baranovskaya T.V. Use of accounting policies in the implementation of internal control. *Bulletin of the Technological University of Podillya*. Ch. 2. Vol. 1. Economic Sciences. 2003. No. 5. p. 92.

<sup>489</sup> Lebedzevich Y.V. Influence of the accounting policy of the enterprise on revenue and performance. *Bulletin of Zhytomyr Engineering and Technology Institute*. 2001. No. 15. pp. 155–162.

<sup>490</sup> Kharkov A. Uchetnaya politika and ee role in the formation of the financial result of the enterprise. *Days of Science-2006: proceedings of the II International Scientific and Practical Conference*. Dnipropetrovsk : Science and Education, 2006. pp. 29–32.

<sup>491</sup> Tyahnyradno L.L. Accounting policy of the enterprise regarding revenue, expenses and financial results. *University Scientific Notes*. 2013. No. 4 (48). pp. 584–590.

Table 3.6

**Elements of accounting policies for revenue and financial results**

No.	Accounting policy elements
1	Classification of enterprise revenue
2	The order of display of sales revenue
3	The procedure for determining the financial result
4	The method of recognition of revenue (from the sale of products (goods and other assets), the provision of services, from the use of assets by other business entities)
5	Ways to distribute and use net profit
6	Criteria for recognizing proceeds from the implementation of services, long-term work
7	The procedure for reflecting in the accounting of the accrual and payment of dividends
8	Internal reporting forms for revenue and financial results

*Source: formed by the authors based on <sup>492</sup>*

Analysis of the elements of accounting policy regarding revenue and financial results as objects of accounting makes it possible to state the fact that the accounting policy in the context of these objects is practically not regulated.

Attention should be paid to the fact that accounting policies should regulate revenue and financial results in two areas (financial accounting and accounting for tax purposes).<sup>493</sup>

Accounting policies should determine only those accounting provisions that have alternative options, that is, require a certain decision on their choice. Clearly regulated provisions by regulatory acts, constituent documents should not be duplicated in the accounting policy of the enterprise, however, certain provisions need to be specified in the contractual policy of the enterprise, which is due to the influence of ownership of the object.<sup>494</sup>

Thus, the settlement requires the moment of transfer of

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<sup>492</sup> Lagovska O.A. Revenue and financial results as objects of accounting policy. Bulletin of the Railway Technical University. 2006. No. 2 (36). pp. 53–59.

<sup>493</sup> The same source.

<sup>494</sup> The same source.

ownership, which is a determining condition for the recognition of revenue (revenue) from the sale of products (goods, other assets) in accordance with clause 8 of NR(S)A 15 "Revenue", where the submitted condition is defined as follows: "the buyer transferred risks and benefits associated with the ownership of products (goods, other assets)", without appropriate specification of the very moment of transfer of ownership. The moment of transfer of ownership is regulated by the contract as a regulatory the mechanism and result of the contractual policy of the enterprise, which is a component of the financial policy of the enterprise simultaneously with the tax and accounting policies.<sup>495</sup>

Methodical recommendations on the accounting policy of the enterprise (section II "Formation of accounting policy") provide for the following elements of the accounting policy of the enterprise:

1. Regarding revenue:

- the procedure for assessing the degree of completion of operations for the provision of services;
- the procedure for determining the degree of completion of work under a construction contract.

2. Regarding financial results:

- approaches to the frequency of crediting the amounts of revaluation of non-current assets to retained earnings;
- the procedure for payments that are made at the expense of profits (for state and municipal enterprises);
- the date of inclusion of ordinary shares, the issue of which is registered, in the calculation of the average annual number of ordinary shares in circulation.<sup>496</sup>

Depending on the type of activity of the enterprise, the administrative document on accounting policy should provide for one of the types of determining the degree of completion of operations and (or) work under construction contracts.

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<sup>495</sup> UAS 15 "Revenue": order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>496</sup> Methodical recommendations on the accounting policy of the enterprise No. 635 dated 27.06.2013. URL: <https://zakon.rada.gov.ua/rada/show/v0635201-13>.

The revenue of the enterprise is determined on the basis of an assessment of the degree of completion of operations. The national regulation (standard) of accounting 15 “Revenue” (paragraph 11) provides for the use of the following methods for assessing the degree of completion of operations for the provision of services:

- study of the work done;
- determination of the share of the volume of services provided on a certain date, in the total volume of services to be provided;
- determination of the share of expenses incurred by the company in connection with the provision of services, in the total expected amount of such expenses.<sup>497</sup>

For enterprises that carry out construction in the course of their activities, the National Regulation(Standard) of Accounting 18 “Construction Contracts” provides for the following methods for determining the degree of completion of work under construction contracts:

- measurement and evaluation of the work performed;
- the ratio of the volume of the completed part of the work and their total volume under the construction contract in kind;
- the ratio of actual expenses from the beginning of the construction contract to the balance sheet date and the expected (estimated) amount of total expenses under the contract.<sup>498</sup>

Another element of the accounting policy on revenue, which may be provided for in the administrative document on accounting policies, is the list of deferred revenue.

An increase in the financial result of an enterprise may occur due to the transfer to retained earnings of exceeding the amounts of previous revaluations (indexations) of fixed assets and intangible assets. An element of accounting policy in this

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<sup>497</sup> National Regulation (Standard) of Accounting 15 “Revenue”: order of the Ministry of Finance of Ukraine dated 29.11.99, No. 290. URL: <https://zakon.rada.gov.ua/laws/show/z0860-99>.

<sup>498</sup> National Regulation (Standard) of Accounting 18 “Construction contracts”: order of the Ministry of Finance of Ukraine dated 21.05.01, No. 443/5624. URL: <https://zakon.rada.gov.ua/laws/show/z0433-01>.



case is the frequency of enrollment amounts (monthly, quarterly, once a year).<sup>499</sup>

Accounting for the distribution of profits (revenue) by enterprises of the state, communal sectors of the economy, in accordance with the financial plan, is reflected in the procedure given in Chapter IV of the Regulations on the procedure for accounting of individual assets and operations of enterprises of the state, communal sectors of the economy and economic organizations that own and/or use objects of state and communal property. At the same time, the administrative document of the enterprise should determine the application of the procedure for payments that are made at the expense of profits (including their exhaustive composition). All other payments to employees who are not defined by the constituent and administrative documents of the enterprise as those paid at the expense of profits are recorded in accordance with the Regulation (standard) of accounting 26 “Payments to employees”.<sup>500</sup>

The instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations provides for the possibility of independent choice by the enterprise of the frequency of determining the financial result: Monthly; Quarterly; Annually.<sup>501</sup>

The company can independently choose one of the proposed options, but it is worth noting that the first and second methods are the most appropriate, since the preparation of interim reports is mandatory, so determining the financial result at least once a quarter is necessary.<sup>502</sup>

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<sup>499</sup> Tyahnyryadno L. L. Accounting policy of the enterprise regarding revenue, expenses and financial results. *University Scientific Notes*. 2013. No. 4 (48). pp. 584–590.

<sup>500</sup> The same source.

<sup>501</sup> Instruction on the application of the Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations No. 291 dated 30.11.99. URL: <https://zakon.rada.gov.ua/laws/show/z0893-99>

<sup>502</sup> Tyahnyryadno L. L. Accounting policy of the enterprise regarding revenue, expenses and financial results. *University Scientific Notes*. 2013. No. 4 (48). pp. 584–590.

In addition to the methodological component of the accounting policy on revenue and performance, its organizational and technical component should be outlined (Fig. 3.7).

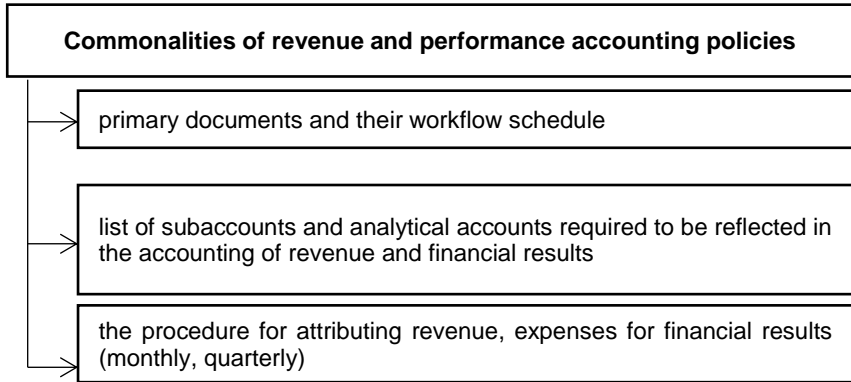


Fig. 3.7. Organizational and technical component of accounting policies for revenue and financial results

Source: <sup>503</sup>

The peculiarity of documenting transactions with revenue and financial results of an enterprise is that standard forms of documents are not directly approved for them.

Primary documents for reflecting revenue from sales, other operating revenue are invoices, consignment notes, invoices, acts of work performed, certificates and calculations of accounting, etc. Primary documents for accounting for revenue from participation in capital are calculations and certificates of accounting. Primary documents for accounting for other financial revenue are calculations and certificates of accounting, profitable cash orders, bank statements.<sup>504</sup>

The reflection of other revenue in accounting is carried out

<sup>503</sup> Karpiak Y. S. Organization of accounting for expenses, revenue and financial results of a business entity. *Bulletin of Lviv Polytechnic National University. Management and entrepreneurship in Ukraine: stages of formation and problems of development*. 2014. No. 794. pp. 172–180.

<sup>504</sup> The same source.

on the basis of contracts, acts of acceptance and transfer, profitable cash orders, liquidation acts, bank statements, acts of posting materials, certificates and calculations of accounting.

The attribution of revenue to financial results is made out by calculating the accounting department. References and calculations of accounting also serve to reflect the accumulation of financial results of various activities and crediting to retained earnings (loss). The display of information data on the use of profits in accounting is carried out on the basis of calculations and certificates of accounting.<sup>505</sup>

The movement of these documents is carried out in accordance with the workflow schedule approved at the enterprise. Generalization of information on revenue, expenses and financial results occurs in the relevant accounting registers with the subsequent transfer of data to the General ledger. With regard to financial statements, these accounting objects are reflected in form No. 2 “Statement of financial results”.

The organization of analytical accounting of revenue and financial results is carried out for each of their types of accounts.<sup>506</sup>

Profit management involves the development and adoption of management decisions on all aspects of its formation, distribution and use. To ensure profit management, detailed information on enterprise revenue and profits is needed, which can be ensured by the organization of analytical accounting of revenue and financial results.

Analytical accounting of revenue from sales should be organized by type (groups) of products, goods, works, services, sales regions and / or other areas determined by the enterprise. Sections of analytical accounting of other operating revenue, revenue from financial and investment activities are determined depending on the types of revenue. Analytical accounting of financial results is carried out according to their nature, types of

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<sup>505</sup> Karpiak Y. S. Organization of accounting for expenses, revenue and financial results of a business entity. *Bulletin of Lviv Polytechnic National University. Management and entrepreneurship in Ukraine: stages of formation and problems of development*. 2014. No. 794. pp. 172–180.

<sup>506</sup> The same source.

products, goods, works, services and other areas determined by the enterprise.

The company can independently develop additional subaccounts and analytical accounts, in accordance with the specifics of the activity, specific needs, management and control tasks.<sup>507</sup>

### **3.3. Organizational aspects of the accounting process regarding expenses, revenue and results of enterprise activity**

The cost of the enterprise includes the expenses of operating, financial and investment activities. The largest share of them is occupied by operating expenses.

According to NR(S)A 16 "Expenses", operating (basic) expenses are operations related to the production or sale of products (goods, services), which is the determining goal of creating an enterprise and provides the bulk of its revenue.<sup>508</sup>

At the same time, the operating expenses of the enterprise consist of production expenses, overhead expenses, administrative expenses, sales expenses and other operating expenses (Fig. 3.8).

The concept of "cost" is most closely related to operational activities. The cost of production is the monetary expression of the expenses of production and sale of products. This is an indicator that is used to control the use of production resources, determines the savings in the effectiveness of economic measures, price formation.

According to the method of inclusion in the cost price, expenses are divided into direct and indirect.

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<sup>507</sup> Karpiak Y.S. Organization of accounting for expenses, revenue and financial results of a business entity. *Bulletin of Lviv Polytechnic National University. Management and entrepreneurship in Ukraine: stages of formation and problems of development*. 2014. No. 794. pp. 172–180.

<sup>508</sup> National Regulation (Standard) of Accounting 16 "Expenses". Order of the Ministry of Finance of Ukraine dated 31.12.1999 No. 318. URL: <http://zakon4.rada.gov.ua/laws/show/z0027-00>

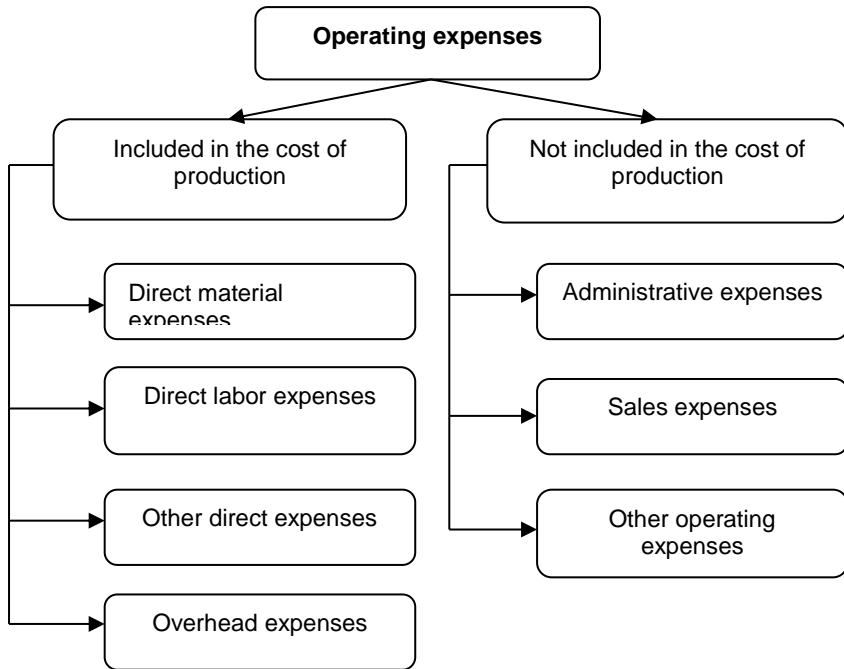


Fig. 3.8. Classification of operating expenses

*Source: systematized by the authors*

Direct expenses are those that can be directly attributed to a specific cost object and included in the cost of production (works, services).

The composition of direct expenses include those that can be directly attributed to a specific cost object, namely:

- 1) raw materials and materials, purchased semi-finished products and components, other material expenses;
- 2) labor expenses: wages and other payments to workers engaged in the production of products, performance of work or provision of services;
- 3) other production expenses.

Indirect expenses are production expenses that cannot be attributed directly to a specific cost object in an economically feasible way and therefore require distribution. Indirect cost

distribution leads to inaccuracies in determining the cost of certain types of products, therefore, when organizing accounting, attention should be paid to increasing the proportion of direct expenses.

Proper organization of accounting for production expenses is the only source of information that is necessary for data processing, management and control over the economic performance of a business entity.

The organization of cost accounting in the enterprise should be carried out according to the principles shown in Fig. 3.9.

The organization of cost accounting at a high level ensures accuracy, reliability of calculation, which will contribute to improving management efficiency.

Thus, the organization of accounting for production expenses contains:

- determination of the list of items of production expenses and the composition of expenses that make up each of the items;

- the procedure for reflecting expenses on production accounting accounts and ways to include expenses in the cost of each calculation object;

- selection of methods for assessing and accounting for production waste, accounting for future expenses, accounting for defects in production;

- development taking into account the form of accounting at the enterprise, methods and techniques for accounting for production expenses;

- selection of cost accounting registers by their types and objects of accounting (centers of responsibility).

The issue of organizing the process of accounting for production expenses implies the presence of specific recorded approaches that have alternatives to the accounting process in this area and are provided for by accounting standards and standards. However, these alternatives require a clear analysis of the effectiveness of their use in the accounting process at the enterprise and their further definition and approval in the accounting policy of the enterprise.

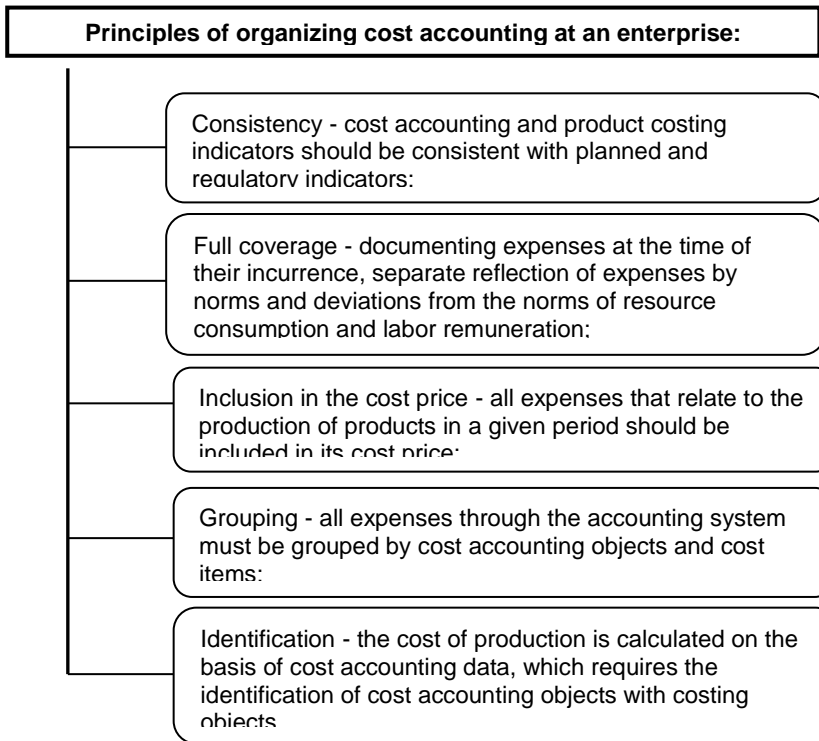


Fig. 3.9. Basic principles of organization of accounting for production expenses

Source: <sup>509</sup>

The choice of an alternative to accounting for production expenses is carried out on the basis of the specifics of the production activities of the enterprise and their positive role in the reliability and efficiency of the formation of accounting information on the amount of production expenses and the cost indicator, respectively.

<sup>509</sup> Kravchenko O.V., Leonenko K.O. Problems of organization of accounting of production expenses *Accounting, analysis and audit*. 2018. Issue 25. pp. 841–846.

The list and characteristics of the main aspects and elements of the process of organizing the accounting of production expenses are given in Table 3.7.

*Table 3.7*

**The main elements of the organization of accounting for production expenses**

Denomination	Characteristic
Compliance of accounting approaches with legal norms	The process of accounting for production expenses is associated with many objects of accounting, the accounting processes for which should be clearly defined in the accounting policy and adequately reflect the data in the accounting for them (for example, the term of use of the asset, the depreciation method, the threshold of the cost criterion for the asset, etc.)
Issues of organization of accounting for cost elements	The question concerns the organization of accounting for cost elements (materials, wages, etc.) and the corresponding definition of the main points on which accounting for them depends (type of remuneration, its organization, compliance of the amount of remuneration not lower than its minimum level, assessment of Supplies upon their disposal, depreciation method in accordance with accounting standards, organization of quantitative and sum accounting, etc.
The question of a clear definition of cost items	The accounting policy provides a list of relevant items of direct and indirect expenses of production, in accordance with which the calculation of production expenses is carried out
Indirect cost issues	Determination of items of variable and fixed overhead expenses, determination and establishment in the accounting policy of indicators of regulatory capacity, in accordance with which the rate of distribution of variable and fixed overhead expenses is determined, the distribution base and the normative distribution rate are determined. This direction is characterized to a large extent by an indicator of subjectivity in determining the listed indicators and, accordingly, requires effective analytical calculations before their establishment in the accounting policy, to prevent artificial distortion of cost and production expenses.
Organization of document flow	Organization of operational display and movement of accounting information on all cost elements in the carriers of primary and consolidated forms of accounting registers with the appropriate definition of the schedule of their preparation and movement and



	the persons responsible for this
Questions about the specifics of the activity	Formation of a working plan of accounts for accounting centers by production centers, types of products, etc., formation of forms of accounting registers, introduction of combined use of elements of extra-lingual, regulatory and preventive methods of cost accounting in accordance with the specifics of the enterprise and the production process
Orientation of accounting to management	Organization of accounting for production expenses, based on the specifics of accounting for all cost elements and the need for the prompt formation of accounting information on them, for the possibility of its further use in management. Organization of management and accounting of production expenses combined, etc.
Control issues	Organization of measures for the control of both the production process and the adequacy, reliability and efficiency of reflection in the accounting of data on the amounts of expenses for elements

*Source*<sup>510</sup>

Production expenses, depending on its type, are accounted for by the following methods: extra-lingual, preventive, process-based, regulatory.

The regulatory method is used to daily identify deviations from current production standards in order to prevent overtime expenses.

The process method is used in industries where the technological process is divided into stages.

The preventive method is used if the raw materials and materials go through several completed stages of processing.

Extra-lingual is a method used in small-scale and individual industries.

To make optimal management decisions, it is necessary to know the amount of expenses, first of all to clearly understand information about production expenses. Cost analysis helps to identify efficiency and determine the optimal amount of expenses, check quality performance, correctly set prices, regulate and control expenses, plan the level of profit and profitability of production.

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<sup>510</sup> Kadatska A.M. Cost accounting: theoretical and practical aspect. Accounting, analysis and audit. 2017. No. 4. pp. 138–141.

Cost accounting and costing as a single process consists of two interrelated stages:

1) organization of analytical accounting of expenses and distribution of expenses for production between objects of accounting;

2) costing, including operations to determine the cost of products and units of production (Table 3.8).

*Table 3.8*

**Characteristic of calculation methods**

Calculation method	Characteristics of the method
Out-of-order method	It is used during the implementation of various activities of the enterprise. Expenses are "collected" for specific orders, batches or contracts that differ from each other.
Preliminary method	They are used during the mass production of homogeneous products (for example, in food production). Average expenses per unit of production are determined by dividing the total cost by the number of products produced.
Normative method	Expenses are accounted for according to established standards, and the cost of production is calculated at the production planning stage. The method allows you to keep accurate analytical records and deviations of actual expenses from regulatory ones and control the total cost of production.
Actual method	"Collected" the amount of expenses actually incurred.
Mixed method	Direct expenses are accounted for by actual data, and invoices - by the average distribution ratio.
Direct costing method	Expenses are divided by production volume into fixed and variable, and only variable production expenses will be included in the cost of production.
Standard-costing method	Planned expenses are accounted for on the basis of the nomination of existing standards. Analytical accounting of expenses for objects is not provided.
Method of "absorbed" expenses	The total production expenses belong to the solvency of the products produced and are distributed in a part-time manner between the products sold and the products that are still in the warehouse of the enterprise.

*Source:*<sup>511</sup>

Based on cost accounting methods, the company chooses a

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<sup>511</sup> Pushkar M. S. Financial accounting: textbook. Ternopil: Carte blanche, 2002. 628 p.

calculation method, which is indicated in the regulation on accounting policies. The correct choice of cost accounting methods is determined by the peculiarities of technological processes and depends on the management and accountants of the enterprise.

Based on the principles of organizing the accounting of production expenses, each enterprise develops an order on accounting policies, which is the main document of production activities.

The organization of accounting for production expenses and documentation is shown in Fig. 3.10.

The organization of workflow at the enterprise can be divided into several stages of formation and types of production at the enterprise and filling out documents of various forms, using different types of inspections.

A separate component in the structure of production expenses that needs to be studied is a group of overhead costs.

Overhead expenses are divided into fixed and variable. The production cost of production includes only variable and distributed fixed overhead expenses. Retained overhead expenses are subject to write-off for the expenses of the reporting period in which they arose, and are not included in the production cost.

In some cases, the same expenses can be attributed to variables, and in others to fixed overhead expenses (for individual expenses, there may also be a dilemma regarding their attribution to direct or general production expenses or expenses of the period, for example, administrative or sales).<sup>512</sup>

Considering cost accounting and calculation as a single process, we note that the latter consists of two interrelated stages:

- the first stage is cost accounting, which includes the organization of analytical accounting of expenses and the distribution of expenses for production between the objects of accounting;

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<sup>512</sup> Kovtun S., Tkachuk N., Savluk S. Cost management. Tutorial. H. : Factor, 2017. 272 p.

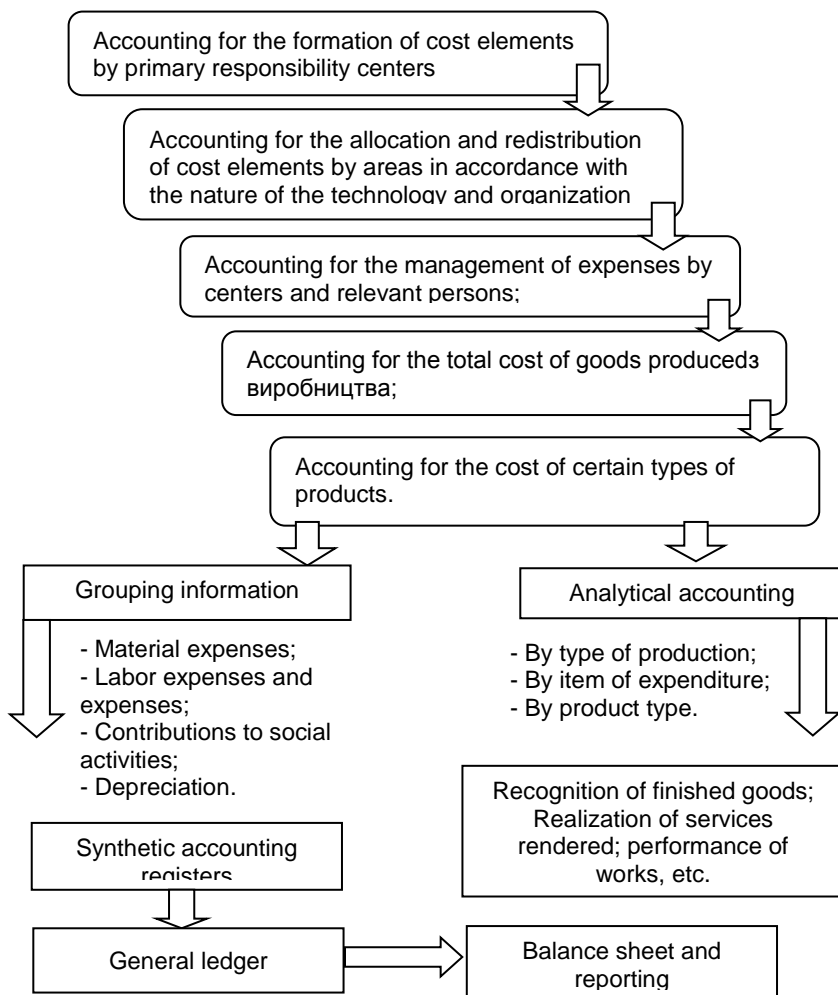


Fig. 3.10. The process of organizing the accounting of production expenses

Source: <sup>513</sup>

- the second stage is the calculation of the cost, which includes operations to determine the cost of products and units

<sup>513</sup> Kravchenko O.V., Leonenko K.O. Problems of organization of accounting of production expenses *Accounting, analysis and audit*. 2018. Issue 25.

of production.

Synthetic cost accounting and determination of the cost of production is carried out on the active calculation account 23 "Manufacturing". The debit of account 23 "Manufacturing" reflects direct material, labor and other direct expenses, as well as production overhead expenses, the amounts of the actual production cost of the products completed by production are written off from the loan. The scheme of synthetic accounting of production expenses is shown in Fig. 3.11.

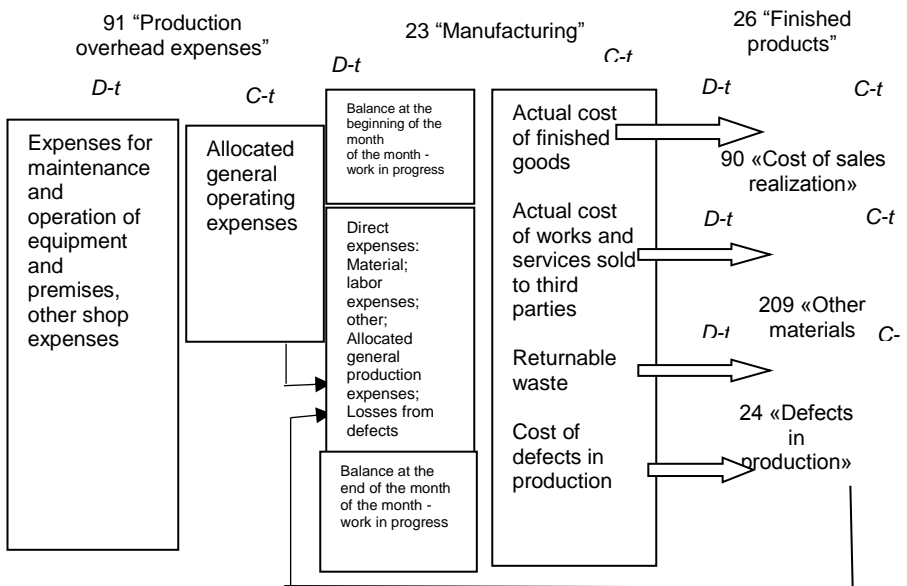


Fig. 3.11. General scheme of accounting for production expenses

Analytical accounting of production is carried out by type of production: main and auxiliary. The debit balance on account 23 at the end of the period shows the amount of work in progress.

The traditional classification of expenses for production and non-production helps to determine their intended purpose, attitude to the production process in the conditions of

technological features and the impact on the financial result. Comparing them makes it possible to investigate the dynamics of the ratios of the occurrence of expenses by time periods and the adoption of informed decisions that have an impact on the efficiency of business entities.

Not all expenses that arise in the enterprise, related to the production of products (works. services). The current Plan of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations for accounting for non-production operating expenses provides for accounts of the 9th class “Expenses of activity”: 92 “Administrative expenses”, 93 “Sales expenses”, 94 “Other expenses of operating activities”.<sup>514</sup>

The main components of the content of non-production expenses and their functional properties are presented in Fig. 3.12.

Non-production expenses and their place in the system of all expenses of the enterprise are determined by NR(S)A 16 “Expenses”. This Regulation highlights the following features of non-production expenses:

- composition (administrative, sales expenses and other operating expenses);
- value for accounting (where the non-inclusion of non-production expenses in the cost of products sold indicates a write-off at the end of the reporting period on the financial result);
- relation to the types of economic activity (where operational activities in accordance with NR(S)A 1 is disclosed through the main and other operational activities).

The study of the economic content of administrative expenses and other operating expenses indicates that they are not related to the production of specific products and arise both outside this process and outside the sales and storage processes. Therefore, according to the regulatory documents

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<sup>514</sup> Instruction on the application of the Plan of accounts of assets, capital, liabilities and business operations of enterprises and organizations, approved by the Order of the Ministry of Finance of Ukraine No. 291 of 30.11.1999 (as amended and supplemented) URL: <http://zakon4.rada.gov.ua/laws/show/z0893-99>.

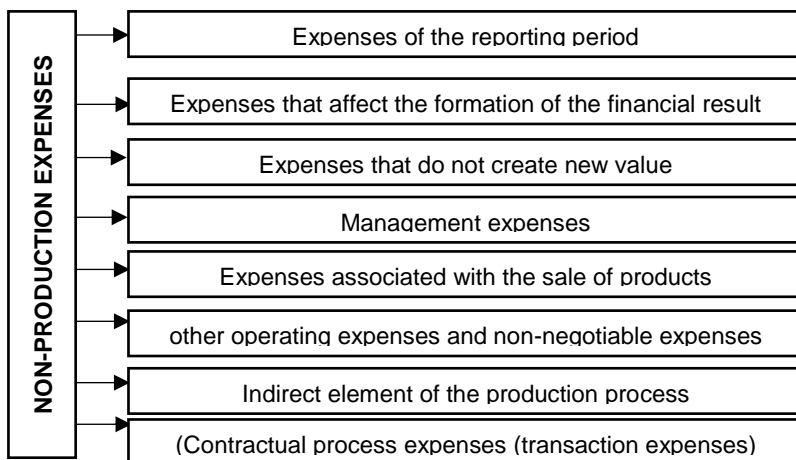


Fig. 3.12. The economic essence of “non-production expenses”

Source: <sup>515</sup>

that regulate accounting in the enterprise, they are fixed expenses. Fixed expenses can be both mandatory (planned expenses) and discretionary. The peculiarity of discretionary expenses is the ability to change in the case of some decisions of management personnel. These include such non-production expenses as the cost of advertising, research and development, professional training and advanced training of employees, payment of bonuses and remuneration, the cost of inventories sold, etc. That is, the value of fixed expenses can vary without changing and affecting the volume of activity (production).

*Administrative expenses* are general business expenses aimed at servicing and managing an enterprise.

These expenses include expenses for the maintenance of administrative and managerial personnel, expenses for their business trips, expenses for the maintenance of fixed assets,

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<sup>515</sup> Kozachenko A.Y. theoretical substantiation of the essence and classification of non-production expenses for the needs of accounting and effective audit. *Bulletin of Khmelnytsky National University*. 2018. No. 5 Vol. 1. pp. 206-211.

postal and legal services, bank services, alarm services, clerical expenses, subsoil fees, water, land tax, environmental tax, maintenance of passenger vehicles and premises of an administrative building.

The debit of account 92 “Administrative expenses” reflects the amount of recognized administrative expenses, on the loan – write-off to account 79 “Financial results”. These expenses are debited to account 79 “Financial Results” in the reporting period in which they were recognized, and they are recognized when they were incurred. This, in turn, means that at the end of the reporting period, account 92 “Administrative expenses” will not have a balance.<sup>516</sup>

Administrative expenses include:

1. Expenses for the maintenance of administrative and managerial staff;
2. Expenses for business trips;
3. The cost of maintaining fixed assets and other tangible non-current assets of general economic purpose;
4. Depreciation of intangible assets of general economic use;
5. Payment for settlement and cash services;
6. Communication expenses (postal, telephone, telex, fax);
7. Security, legal, audit services.

The main purpose of accounting for administrative expenses is a timely, complete, reliable reflection of the actual size and composition of expenses and control over the use of all resources.

From the formulation of the goal, you can determine the main tasks of accounting for administrative expenses (Fig. 3.13).

Primary documents when reflecting the accumulation of administrative expenses are invoices, invoices, advance reports, expenditure cash orders, accounting calculations, settlement and payment statements, etc. (Table 3.9).

Analytical accounting of administrative expenses is conducted in Section III (IIIA) “Expenses of activity” of journal 5 (5A), respectively, for the following items of expenditure: expenses for the maintenance of administrative and managerial

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<sup>516</sup> Butynets F.F. Management accounting. Training. manual. Zhytomyr: ZHITI. 2007. 664 pp.



personnel, expenses for business trips, depreciation of non-current assets, other expenses of general economic purpose.

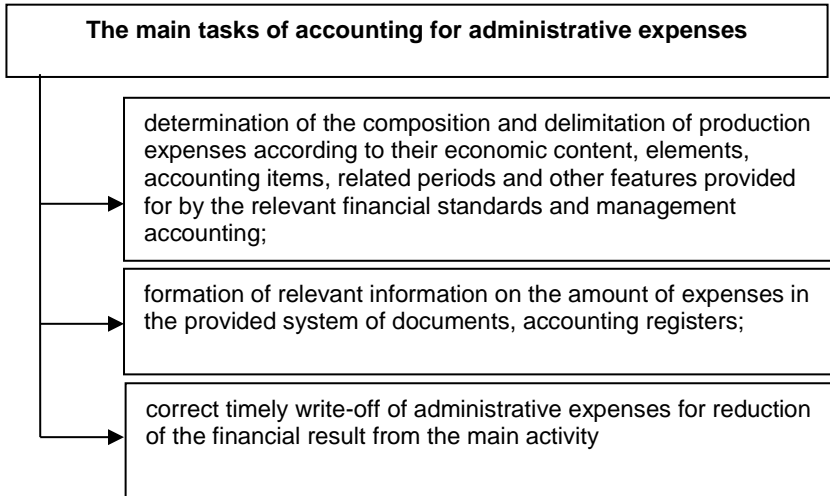


Fig. 3.13. Basic tasks of accounting for administrative expenses

Source: systematized by the authors

*Sales expenses* are expenses that are associated with the sale of products (works, services) and are not included in the cost of products sold.

Sales expenses are the expenses of the reporting period and the distribution between the sold and unrealized part of the finished product are not subject; the entire amount of sales expenses from account 93 “Sales Expenses” is included in the financial results (account 79 “Financial Results”).

Some sales expenses (in terms of direct expenses) can be taken into account as part of the expenses of production (as part of the production cost) only if, under technological conditions, the packaging of finished products is carried out together with its manufacture at one of the final production operations with the reflection of such expenses on the debit of account 23 “Manufacturing” in correspondence with the accounts of accounting for production supplies, calculations.

Table 3.9

**Characteristics of primary documents on accounting for administrative expenses**

No.	The content of the operation, causing the emergence of administrative expenses	Document name
1	Accrual of depreciation on fixed assets and other non-current tangible assets of administrative purpose	Statement of depreciation of fixed assets and other non-current tangible assets
2	Write-off or use of tangible current assets (low-value and wearable items, inventories) for administrative needs	Act of writing off low-value and wearable items, limit-fence card
3	Payment (transfer) of funds for corporate events, namely, payment of an advance payment for business trips, wages and funds to third-party organizations	Expenditure cash order, payment order, payroll
4	Travel expenses	Report on the use of funds provided for business trips and under the report
5	Payroll and equivalent payments	Timesheet for accounting for the use of working time, as well as a settlement and payment statement drawn up on its basis
6	Accrual of remuneration for professional services (legal, audit, property valuation, etc.)	Invoice, act of work performed
7	Reflection of expenses for settlement and cash services	Bank account service agreement, memorial order

*Source: systematized by the authors*

Sales expenses include expenses associated with the sale (sale) of products:

1. Consumption of packaging materials for packing finished products in warehouses of finished products;
2. Remuneration and commissions to employees of sales units;
3. The cost of advertising and market research (marketing);
4. The cost of pre-sale preparation of goods;
5. Travel expenses of employees engaged in sales;
6. Expenses for the maintenance of fixed assets and other

tangible non-current assets related to the sale of products (rent, insurance, depreciation, repair, heating, lighting, security);

7. Expenses of transportation and insurance of finished products (goods), freight forwarding, and other services related to the transportation of products (goods) in accordance with the terms of the supplies contract;

8. The cost of warranty repair and warranty service;

9. The cost of insurance intended for the further sale of finished products (goods) stored in the warehouse of the enterprise.

Accounting for expenses associated with the sale (sale, sale) of products, goods, works and services is conducted on the active expense account No. 93 "Sales Expenses" (Table 3.10).

*Table 3.10*

**Characteristics of account number 93 "Sales expenses"**

Account name and number	Appointment Account	Display of information on operations related to the implementation process'			
		On account No. 93		In the accounting register	In reporting
		by debit	for a loan		
93 "Sales expenses"	To account for the expenses associated with the sale (sale, sale) of products, goods, works and services	Shows the amount of recognized sales expenses	Displays the write-off of sales expenses to account 79 "Financial results"	Journal 5, 5A	Line 2150 of the Statement of Financial Results

*Source: systematized by the authors*

Documents during the image of sales expenses at the enterprise can be: invoice, invoice, calculation of accounting, etc. Write-off of sales expenses for the financial results of enterprises is issued by a certificate of accounting. Analytical accounting of sales expenses is carried out by cost items and economic elements. If the accounting of sales expenses is carried out by cost centers, then certain registers may be drawn up in the context of structural units related to the sale of products.

Analytical accounting of sales expenses is conducted in

Section III (III A) “Expenses of activity” of the Journal 5 (5A), respectively, in the context of the following cost items: the cost of packaging materials, the cost of transporting products, labor expenses and commissions to sellers, as well as advertising costs.

The organization of accounting for the expenses of operating activities involves:

- the choice of the reception of the implementation of the organization of accounting in the enterprise;
- determination of elements of accounting policy regarding operating expenses;
- selection of carriers of accounting information on cost accounting;
- organization of document flow at the enterprise;
- organization of the procedure for reflecting expenses on accounting accounts and ways to include expenses in the cost of each calculation object.<sup>517</sup>

The main methods of organizing cost accounting are questioning, design, observation, graphic method, etc.

Questioning is a method of organizing accounting at an enterprise, which consists in interviewing specialists of enterprises and forming effective information on operating expenses for decision-making. The method contains the development of questions for the questionnaire regarding the main elements of expenses, expenses incurred for production, sales, etc. in the study period.

As one of the elements of the method of organizing design, it requires a detailed development of organizational forms and methods that will ensure the optimal functioning of the accounting process, the work of performers. That is why in the practice of organizing accounting widely used graphic techniques.<sup>518</sup>

The model of accounting for the expenses of operating activities includes the phased development of accounting, ways

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<sup>517</sup> Lyubar O.O., Grigorash M.V. Organizational bases of construction of accounting for the expenses of operating activities in the enterprise. Electronic scientific professional edition “Effective Economy”. 2018. No. 12. URL: [http://www.economy.nayka.com.ua/pdf/12\\_2018/88.pdf](http://www.economy.nayka.com.ua/pdf/12_2018/88.pdf)

<sup>518</sup> Kudlak V.Ya. Focus on the cost structure of the enterprise. *Actual tasks of modern technologies*. 2017. pp. 189–190.

to implement the conceived and set goals.

Observation is a method that allows you to track the objects of the organization of accounting for operating expenses at any stage. Observation in the organization of cost accounting consists in the study of the object of accounting from the side.

The schedule in the organization of accounting is a regulatory document, the main feature of which is the specific time of execution of accounting work provided for by the plan. The essence of scheduling in the organization of cost accounting is to develop a specific methodology for conducting accounting work, a clear time and mechanical scheme of phased work. The graph contains quantitative dependencies of various phenomena associated with the expenses incurred. This technique includes the development of a schedule with a detailed indication of all the features regarding selection of partners, suppliers, calculation of all current and future expenses, but also optimizes the timing of accounting work, makes it possible to identify reserves for improvement, etc.

The main elements of the accounting policy regarding the expenses of operating activities are:

- conditions (criteria) of recognition of expenses;
- formation of calculation articles;
- the choice of cost accounting method;
- selection of the cost accounting object;
- determination of carriers of accounting information on the preparatory, current and final accounting.<sup>519</sup>

Operating expenses are recognized as expenses:

- as a result of a decrease in assets or an increase in liabilities that lead to a decrease in the equity capital of the enterprise;
- when a reliable estimate of the amount of expenses is possible;
- there is a possibility of liability without recognition of the asset, that is, the occurrence of warranty liabilities;

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<sup>519</sup> Lyubar O.O., Grigorash M.V. Organizational bases of construction of accounting for the costs of operating activities in the enterprise. Electronic scientific professional edition "Effective Economy". 2018. No. 12. URL: [http://www.economy.nayka.com.ua/pdf/12\\_2018/88.pdf](http://www.economy.nayka.com.ua/pdf/12_2018/88.pdf)

- there is a possibility of non-compliance of future economic benefits with asset criteria.

Accounting methods include the study of operating expenses for calculation items. The composition of expenses for each item (direct material expenses, direct labor expenses, other direct expenses) is established by the enterprise, based on the characteristics and specifics of the technology and organization of production, the cost of products sold includes production expenses, administrative expenses and sales expenses:

- basic wages of production workers;
- raw materials;
- purchased semi-finished products and components, works and services of production nature of third-party enterprises and organizations;
- fuel and energy for technological purposes;
- transport and procurement expenses; deductions for social events;
- additional wages of production workers;
- losses due to technical inevitable marriage;
- expenses for the maintenance and operation of equipment;
- overhead expenses;
- other non-production expenses;
- related products and returnable waste.

The expenses of the period can be succinctly called non-production expenses. These expenses will not disappear if we assume even a complete cessation of production.

The components of “*Other operating expenses*” are: the cost of realized inventories; doubtful (bad) debts; the cost of impairment of supplies; operating exchange rate differences; recognized environmental sanctions; deductions to ensure subsequent operating expenses; various expenses that are not mentioned above and arise in the process of operating activities of the enterprise.

Proper and timely planning and ensuring the receipt and use of proceeds from the sale of products is the main task in organizing operational control over the activities of the enterprise and increasing its financial result. The main goal pursued by the company is to sell the goods and for this to

receive the cash proceeds that are needed to issue wages and to finance all expenses associated with the further continuation and expansion of the production process. The best option is when it will be possible to cover all expenses with revenue and, in addition, make a profit. The other goal is broader and no longer concerns the manufacturer directly. This goal is to meet the needs of the population in food, and the needs of industry in raw materials. In this process, an extremely important role belongs to accounting, which has been somewhat modified in Ukraine in recent years.

The size of the company's revenue depends on the objects, terms of sales of products and prices. Being a financial category, revenue from the sale of products, works and services is one of the sources of financial resources of the enterprise. Its size and terms of receipt affect the financial condition and solvency of the enterprise.<sup>520</sup>

The main tasks of the organization of accounting for the sale of products, works and services are as follows: systematic monitoring of the implementation of the product sales plan by type, quantity, quality and channels of their implementation; correct, timely and complete documentation of each batch of shipped products, work performed and services rendered; control over the correct application of sales prices and the timing of receipt of funds for the products sold; control over the status of settlements with procurement organizations, exchanges or other buyers and customers; correct determination of the total cost of production and financial result from sales.<sup>521</sup>

The organization of accounting for revenue and results of financial and economic activities contains: development of a system of operational accounting of revenue and results of management both in general for the enterprise and in the context of structural units, types of activities and types of profits (losses); development of methods and techniques for synthetic and analytical accounting of revenue, results and profits (losses); selection of registers of analytical and synthetic

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<sup>520</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>521</sup> The same source.

accounting of revenue and financial results; development of the order of distribution Profit.<sup>522</sup>

To organize the accounting of revenue from the sale of products (works, services), it is necessary: determine the method of transfer by the sales department to the accounting department of sales plans, monthly schedules for the shipment of products, orders and sales orders, contracts with buyers and other documents, which is the basis for the release of products to customers; choose primary documents for the release of products, the provision of services, the performance of work (consignment note, invoice for the release (internal movement) of materials, act of work performed, services rendered) and documents that are mandatory annexes to them (technical passports, specifications, certificates, quality certificates); establish the procedure for paperwork for the shipment of products, the provision of services and the performance of work; develop a methodology and technique for analytical and synthetic revenue accounting; select accounting registers.<sup>523</sup>

Primary accounting of revenue of activity characterizes the movement on the receipt of money, the emergence of debt claims (receivables) or the termination of liabilities (accounts payable), which are associated with the inflow of economic benefits from the disposal of the corresponding resource: the finished product, the service provided, the work performed etc.

The initial nomenclature of primary revenue accounting is determined by the nature of receipt, the form of calculations and other factors.

To determine the nomenclature you need to make tables in the form 3.11.

The main mass of documents - carriers of information, suitable for further display in the system of accounting accounts, is compiled outside the accounting department. Therefore, the workers of the accounting service perform a large amount of logical, economic and technical work on the acceptance, verification and processing of these documents. The result of this is the registration of processed information in the technical

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<sup>522</sup> URL: <https://studfile.net/preview/5012887/page:48>.

<sup>523</sup> The same source.



carriers of accounts – accounting registers.<sup>524</sup>

Table 3.11

**List of accounting nomenclatures of primary revenue accounting**

No.	Characteristics of data for accounting	Using credentials	In expression			In which carriers appears for the first time	Notes
			Quantifiable	Qualitative	Value		

Source:<sup>525</sup>

Proper organization of primary accounting at the enterprise is a necessary requirement to control the correctness of operations, the availability and state of storage of finished products, its movement.

The use of the specified list of primary documents fully ensures the completeness of accounting for settlement transactions and control functions of the accounting process (Table 3.12).<sup>526</sup>

The project of accounting organization establishes the procedure for transferring documents for products that have been shipped by storekeepers and freight forwarders to the accounting department; methods and techniques of document processing in accounting; methods and techniques for drawing up payment requirements-orders and the procedure for transferring them to customers and customers.<sup>527</sup>

<sup>524</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>525</sup> Sopko V.V., Zavgorodniy V.P. Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

<sup>526</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>527</sup> URL: <https://studfile.net/preview/5012887/page:48>.

Table 3.12

**Primary documents on settlements with buyers and customers in terms of the formation of the financial result**

Settlements with domestic buyers	Settlements with foreign buyers
<b>The emergence of debt</b>	
Overhead; Invoices; Accounts; Acts of accepted work. Services; Tax invoices; Consignment notes; Consignment notes.	Commercial documents ( invoices); Consignment notes (CMR – railway bill of lading, air waybill, bill of lading, consignment note, packing lists); Payment documents for the transfer of amounts of customs payments and other taxes to the accounts of customs institutions; Calculations of accounting on the presence of exchange rate differences.
<b>Debt repayment</b>	
Bank statement; PKO; Bills.	Bank statement; Inkaso; Bills.

Source: <sup>528</sup>

For timely reflection in the accounting of revenue from the sale of products and speed up the receipt of revenue, documents on the shipment of products should be transferred to the accounting department daily, and with round-the-clock shipment of products – at the end of each shift under the signature of the person receiving them. For the timely execution of accounting work, schedules for receiving and submitting documents and their further processing are developed.<sup>529</sup>

When developing a methodology and technique for accounting for revenue from the sale of products (works, services), carriers of primary incoming, primary permanent and outgoing information, as well as a system for processing indicators, are chosen. The primary carriers of incoming information are invoice orders, consignment notes, which draw up the shipment of finished products. When using computer equipment, the indicators of documents are transferred to electronic storage media, which are formed by type of product,

<sup>528</sup> URL: <https://studfile.net/preview/5012887/page:48>.

<sup>529</sup> The same source.

buyers and regions. The system of processing indicators is determined by the form of accounting adopted by the enterprise and the available computer equipment.<sup>530</sup>

Initial information can be presented on a variety of forms and methods of compiling storage media. To account for revenue, you should choose the optimal number of rationally constructed media: information (in the journal form of accounting) and electronic media when using computer equipment.

So, as you know, without exception, all operations at the enterprise, including operations for the sale of finished products, as one of the factors for the formation of revenue and financial result, must be executed by primary accounting documents that must be drawn up at the time of the transaction, and if possible – immediately after its completion. Documentation must comply with the developed internal regulations (Table 3.13).<sup>531</sup>

In this aspect, special attention should be paid to the organization of accounting for the financial result and its use. So with the method of accounting and determining the financial result are familiar, but in this case it should be remembered that the procedure for using profits is determined by the owner of the enterprise.

At the expense of profit, first of all, calculations are made with the budget, trust funds are formed and losses of previous years are covered. Losses that may arise as a result of activities are covered from the reserve capital or from other funds of the enterprise.

Documenting the sale of products depends on its type and distribution channel (Tables 3.14, 3.15).

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<sup>530</sup> URL: <https://studfile.net/preview/5012887/page:48>.

<sup>531</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

Table 3.13

**Operogram of the accounting process of revenue generation in the enterprise**

No	Contents	Director	Chief Accountant	Accounting workers	Revenue Accounting Accountant
1	Formation of general economic information, which is the basis for the emergence of revenue		●		
2	Registration of primary documentation for revenue accounting				●
3	Drawing up a cumulative revenue statement for the month			●	●
4	Entries in the order log			●	
5	Enter data into the master workbook		●	●	
6	Reporting		●	●	
7	Filling in statistical reports			●	
8	Interconnection of synthetic and analytical accounting data with reporting form data	●	●		
9	Approval of reporting forms (signatures)		●	●	
10	Submission of reporting forms to tax authorities, state statistics bodies and archives		●		

Table 3.14

**Operogram of the process of registration of the consignment note for sending and receiving animals and birds**<sup>532</sup>

No	Contents	Farm manager	Zootechnician	Veterinarian	Chief Accountant	Head	Driver	Consignee
1	Drawing up a consignment note and filling in the details	●						
2	Checking animals, recording data and issuing a veterinary certificate		●	●				
3	Confirmation of information on the number of heads, the mass of animals, the cost	●						
4	Transfer of the document to the accounting department for verification and processing, for issuing permission to send				●			
5	Confirmation and permission to send animals					●		
6	Transfer to the driver of all 4 copies of the consignment note						●	
7	Transfer of the first copy of the invoice to the destination	●						
8	Mark on the receipt of animals, in 3 copies of the invoice and their transfer (3rd and 4th) to the driver							●
9	Transfer of the 3rd copy of the invoice to the accounting department of the enterprise	●			●			
10	Drawing up on the basis of a consignment note report on the movement of animals	●						
11	Transfer of the invoice with the report to the accounting department for further processing of information	●						
12	Interconnection of data on the movement of animals, drawing up registers of synthetic accounting				●			

<sup>532</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

Table 3.15

**Operogram of the consignment note for sending grain**<sup>533</sup>

No	Contents	Accountant	Foreman	Tractor driver	Tanker
1	Statement of consignment note 4 copies	●	●		
2	Mark of acceptance of cargo	●			
3	Transfer of the document to the driver (3 copies)			●	
4	Mark in the warehouse in the consignment note about the completed task			●	
5	Shipment of products, transfer of consignment note (1 copy)		●		
6	Mark on the arrival of the driver at the supplier's enterprise				●
7	Delivery of consignment notes to the accounting department of the supplier's enterprise				●
8	Verification of documents for the presence of all records (details). Processing of information	●			

Consignment notes consist of two sections: commodity and transport. The product section reflects the indicators that determine the relationship of enterprises with buyers and are the basis for writing off products and materials from sellers and posting them from buyers (Table 3.16).

The transport section determines the relationship of shippers (customers of vehicles) with motor transport or other enterprises performing the transportation of goods. It serves to account for

<sup>533</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

transport work and calculations of consignors or consignees with motor transport enterprises for the services provided to them regarding the transportation of goods.<sup>534</sup>

*Table 3.16*

**Schedule of document flow of consignment notes for sending grain**

No.	The content of a separate document flow operation	Place of execution	Executor	Execution period
1	Statement of consignment note (name of the company, customer, loading point, etc.) 4 copies	Accounting	accountant	09 hours 15 minutes
2	Mark of acceptance of cargo	Garage	driver	09 hours 20 minutes
3	Transfer of the document to the driver (3 copies)	Garage	Accountant	09 hours 25 minutes
4	Mark in the warehouse in the consignment note about the completed task	Warehouse	Head of the Warehouse	12 hours
5	Shipment of products, transfer of consignment note (1 copy)	Warehouse	Head of the Warehouse	12 hours 5 minutes
6	Mark of the driver's arrival at the supplier's enterprise	Control room	Garage Hall	12 hours 20 minutes
7	Delivery of consignment notes to the accounting department of the supplier's enterprise	Accounting	Garage Hall	12 hours 25 minutes
8	Verification of documents for the presence of all records (details). Processing of information	Accounting	Accountant	By the end of the working day

*Source:*<sup>535</sup>

When transporting products by own transport, the consignment note is written out in four copies. The driver or other person who accepted the cargo is signed on all copies of the invoices for acceptance of the cargo. The first copy is left at

<sup>534</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>535</sup> The same source.

the point of departure of the cargo (warehouse, brigade, farm, etc.). The second copy, certified by the relevant signatures and seals (stamps) of the enterprise, is transferred to the receiving point or other consignee, the third and fourth copies with the consignee's mark on acceptance of products are returned to the enterprise. The third copy of the invoice is handed over to the accounting department of the enterprise for reconciliation of the quantity of products received and sent and accounting for sales. The fourth copy remains with the driver and is the basis for accounting for transport work, payroll. It is stored together with the road sheet of the truck. When transporting products by involved transport, consignment notes are issued in five copies, two of which remain with the driver of the motor transport organization.

Consignment notes are drawn up for each consignee separately for each walker of the car (Tables 3.17, 3.18). When simultaneously transporting several consignments of goods to the address of one or more recipients (shops, other outlets, children's, medical and other institutions). Consignment notes are issued for each batch of products and each recipient separately.

*Table 3.17*

**Schedule of document circulation of the consignment note for receiving and sending animals and birds**

No	The content of a separate document flow operation	Place of execution	Executor	Execution period
1	Drawing up a consignment note and filling in the details (about the shipper)	Farm	Farm manager	Before shipping
2	Checking animals, recording data and issuing a veterinary certificate.	Farm	Veterinarian, zootechnician	The day before shipping
3	Confirmation of information on the number of heads, the mass of animals, the cost.	Farm	Farm manager	On the day of shipping



4	Transfer of the document to the accounting department for verification and processing, for issuing permission to send.	Accounting	Farm manager, accountant, head accountant	Before the shipping
5	Confirmation and permission to send animals.	Administration	Head	On the day of the shipping
6	Transfer to the driver of all 4 copies of the invoice.	Garage	Farm manager	On the day of shipping
7	Transfer of the first copy of the consignment note to the point of acceptance.	Reception point	Accountant	On the day of admission
8	Mark on the receipt of animals, in 3 copies of the invoice and their transfer (3rd and 4th) to the driver.	Reception point	Accountant of the consignee	On the day of admission
9	Transfer of the 3rd copy of the invoice to the accounting department of the enterprise.	Accounting	Farm manager	After completed task
10	Transfer of the act with the Report on the movement of animals to the accounting department for further processing of information.	Accounting	Farm manager	On the 1st day of the following reporting until 16.00

The sale of products to trade organizations, catering enterprises and other organizations is carried out according to the Invoices for internal economic purposes. To receive payment for these products, an invoice is issued in three copies.

One copy is issued to the buyer's representative, and the second is transferred to the bank to receive funds for the products sold to their bank account, the third is left in the enterprise.<sup>536</sup>

*Table 3.18*

**Schedule of document circulation of the consignment note**

No	The content of a separate document flow operation	Place of execution	Executor	Execution period
1	Registration of a consignment note	garage	warehouse manager	as the operation occurs
2	Confirmation by the driver of the correctness of the invoice	garage	driver	Before leaving
3	Mark on the time of departure of the driver from the garage and delivery of the consignment note	garage	warehouse manager	Before leaving
4	Record information about completing a task	accountant, garage	warehouse manager, materially responsible person	On return
5	Transfer of the consignment note to the accounting department	accountant	warehouse manager	Every even number until 16:00

*Source:*<sup>537</sup>

When organizing outbound trade, it is necessary first of all to obtain permission to place a trade object, arrange a business trip to the seller (if necessary), determine the method of delivery of revenue. Retail trade from vehicles is a separate form of activity that allows you to make settlements with consumers

<sup>536</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>537</sup> The same source.

without the use of a cash register, but using a cash register. The basis for recording the movement of cash is the proceeds from the sale of products, receipts of profitable cash orders, receipts of institutions, banks and communication enterprises.<sup>538</sup>

The issuance of products to their employees at the expense of remuneration is drawn up with information for the issuance of in-kind payment, indicating the surname, name, patronymic of the recipient, the quantity and cost of production. The information must contain a signature on the receipt of products.<sup>539</sup>

Data on the number of products sold by their types are summarized in the Reports.<sup>540</sup>

Generalization of information on revenue from the sale of finished products, goods, works and services, revenue from insurance activities, as well as the amount of discounts provided by buyers and other deductions from revenue is carried out on account 70 "Revenue from sales".<sup>541</sup>

Account 70 "Revenue from sales" is temporary, has signs of a passive account, is intended for accounting for business transactions. On the loan of account 70 "Revenue from sales" on the basis of certificates and calculations, an increase (receipt) of revenue is reflected, on debit – the amount of indirect taxes (excise duty, VAT and other provided for by law); amounts in the order of closing account 79 "Financial results".<sup>542</sup>

Accounting for revenue from sales is carried out for each object for the relevant groups for which a separate subaccount is opened. Account 70 "Revenue from sales" has the following subaccounts:

- 701 "Revenue from the sale of finished products". Used to summarize information on revenue from the sale of finished products.

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<sup>538</sup> Gnatashin L. B., Prokopyshyn O. S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>539</sup> The same source.

<sup>540</sup> The same source.

<sup>541</sup> The same source.

<sup>542</sup> The same source.

Table 3.19

**Operogram of the Report on the sale of agricultural products**

No	The content of the operation	Artist			
		salesman	accountant	chief accountant	head
1	Filling in the main details	●			
2	Preparation of a report based on information from intra-farm invoices: on the front side of the report the movement of products is displayed, on the back – the movement of proceeds from sales	●			
3	Confirm report data	●			
4	Transfer of the report to the accounting department	●			
5	Reconciliation of revenue receipts data with report data		●		
6	Approval of the report on the sale of agricultural. Products			●	

Source: <sup>543</sup>

- 702 “Revenue from the sale of goods”. Use trade enterprises and other organizations to summarize information on revenue from the sale of goods.
- 703 “Revenue from the sale of works and services”. They use enterprises and organizations that perform work and provide services to summarize information about revenue from the sale of works and services, about the results of changes in the reserves of unearned bonuses.
- 704 “Deduction from revenue”. The debit reflects the amount of discounts provided after the date of sale to customers, the cost of products and goods returned by the seller for other amounts to be deducted from revenue. The loan of subaccount 704 reflects the write-off of debit turnovers to account 79 “Financial results”. <sup>544</sup>

<sup>543</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>544</sup> The same source.

Table 3.20

**Workflow schedule of the Report on the sale of  
agricultural products**

The content of a separate document flow operation	Place of execution	Executor	Execution period
Filling in the main details (date, agricultural enterprise, accountable person (seller), branch, etc.)	shop, kiosk	salesperson	at the end of the working day
Preparation of a report on the basis of information from the Invoices for intra-farm purposes: on the front side of the report reflects the movement of products (initial balance, receipt, sale, balance or return of unrealized); on the back — the movement of proceeds from sales (balance at the beginning of the reporting period, receipts, expenses, delivery to the cashier or to a bank account, the final balance)	shop, kiosk	salesperson	at the end of the working day until 18.00
Confirm report data	shop, kiosk	salesperson	at the end of the working day until 18.00
Transfer of the report to the accounting department	Accounting	salesperson	the next day until 10.00
Reconciliation of revenue receipts data with report data	Accounting	accountant	during the working day
Approval of the report on the sale of agricultural. Products	Accounting	chief accountant, manager	by the end of the working day

Source:<sup>545</sup>

Analytical accounting of revenue from sales is carried out by

<sup>545</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

types (groups) of products, goods, works, services, regions of sale and / or other areas determined by the enterprise. The company can independently develop additional subaccounts and analytical accounts, based on the specifics of the activity, specific needs, management and control tasks. The data on account 70 "Revenue from sales" are reflected in the journal 6 and in the Statement of financial results in the line with the appropriate name.<sup>546</sup>

Regardless of the form of accounting, analytical accounting information is opened by type of revenue, centers of responsibility and types (groups) of products, goods, works, services, by regions of sale and other areas determined by the enterprise. Accounting information is filled in on the basis of primary documentation for accounting for the shipment of products, performance of work or provision of services (consignment note, invoice for release (internal movement) of materials, acts of work performed, invoices, receipts, etc.).<sup>547</sup>

Based on primary documents, data on revenue and financial performance are reflected in the accounting registers, which are then used to fill out the General ledger and financial statements.<sup>548</sup>

In addition to sales revenues, operating revenue includes other operating revenue.

Other operating revenue includes all operating revenues, except for revenue from product sales. These include, in particular: revenue from the sale of foreign currency; revenue from the sale of current assets (except for financial investments); revenue received from the operating lease of assets; revenue from operating exchange rate differences on transactions in foreign currency; the amount of received fines, penalties, penalties and other sanctions for violation of economic contracts; revenue from the write-off of accounts payable; reimbursement of previously written off assets (receipt

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<sup>546</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>547</sup> URL: <https://studfile.net/preview/5012887/page:48>.

<sup>548</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

of debts written off as hopeless); amounts of grants and subsidies received, other revenue.<sup>549</sup>

To account for other operating revenue, account 71 "Other operating revenue" is used, information on other revenue from the operating activities of the enterprise in the reporting period is summarized, except for revenue (revenue) from the sale of products (goods, works, services). The credit of account 71 "Other operating revenue" reflects an increase (receipt) of revenue, on debit – the amount of indirect taxes (value added tax, excise duty and other fees (mandatory payments)) and write-off in the order of closing to account 79 "Financial results".<sup>550</sup>

In order to maximize the use of financial resources and make a profit, enterprises are engaged not only in operational, but also in other activities. Other usual activities cover the investment and financial activities of the enterprise.<sup>551</sup>

One of the basic principles of accounting is the principle of compliance of expenses and revenue. If it acts in relation to expenses and revenue of operating activities, then the expenses and revenue of financial and investment activities are not distinguished in accounting. The problem is that the operations of these types of activities are interrelated, intertwined, so it is difficult to separate them.<sup>552</sup>

Under the financial activity, in accordance with NR(S)A 1 understand such activities, which are associated with changes in the size and composition of the own and borrowed capital of the enterprise.<sup>553</sup>

Financial revenue includes revenue received from financial

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<sup>549</sup> Butynets F.F. Accounting financial accounting. Zhytomyr : PP Ruta, 2006. 832 p.

<sup>550</sup> Bezbach I. Features of accounting for other operating revenue. Bulletin of the Student Scientific Society "VATRA" of Vinnytsia Institute of Trade and Economics of KNTEU. Vinnytsia : Publishing and Editorial Department of VTEI KNTEU, 2018. Issue. 49. pp. 26–29.

<sup>551</sup> Hudz N.V., Denchuk P.N., Romaniv R.V. Accounting. Tutorial. K. : "Center for Educational Literature", 2016. 424 p.

<sup>552</sup> The same source.

<sup>553</sup> NR(S)A1 "General requirements for financial statements": zatv. by the order of the Ministry of Finance of Ukraine No. 73 of 07.02.2013 URL: <https://zakon.rada.gov.ua/laws/show/z0336-13>

investments (except for revenue that is reflected by the method of participation in capital), dividends, interest, depreciation of the discount on investments in debt securities.

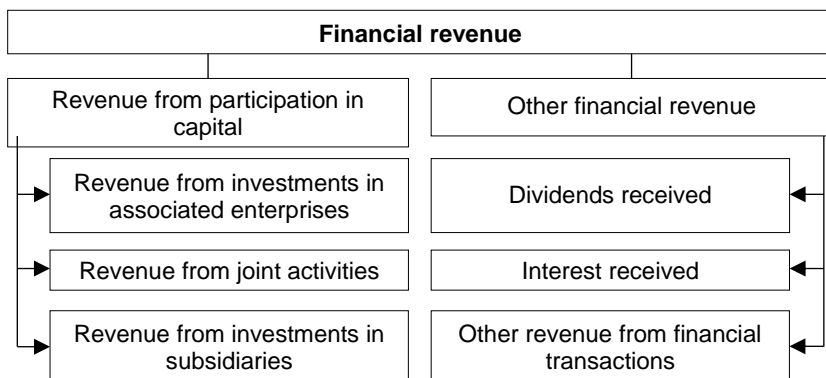


Fig. 3.14. The structure of financial revenue of the enterprise  
 Source: <sup>554</sup>

The basis for reflection in the accounting of financial revenue are:

- profitable cash order;
- bank statement;
- decision of the meeting of shareholders (participants) on the distribution of profits;
- contracts for the purchase of securities with a certain maturity;
- deposit agreements;
- contracts for the purchase of deposit certificates;
- accounting certificate-calculation.

Revenue from participation in capital is revenue from financial investments, which are accounted for by the method of participation in capital.

To account for and summarize information on revenue from participation in capital, account 72 “Revenue from participation in capital” is intended (Table 3. 21).

<sup>554</sup> Bochulya T.V., Yancheva I.V., Yanchev V.V. Lecture notes in structural and logical schemes on the course “Organization of accounting” for full-time and part-time students. H. : KSUFT, 2017. 200 pp.



Table 3.21

**Characteristic of account  
72 “Revenue from participation in capital”**

Account name and number	Purpose of the invoice	Display of information on revenue from participation in capital			
		On account 72		In the accounting register	In reporting
		by debit	for a loan		
72 “Revenue from participation in capital”	To summarize information on the revenue from investments made in associates, subsidiaries or joint ventures and which are recorded by the method of participation in capital	The write-off of revenue to account 79 is displayed	Displayed increase (receiving) Revenue	Journal 6 ag.	Line 2200 of the Statement of Financial Results

Source: <sup>555</sup>

The following subaccounts are opened to account 72 “Revenue from participation in capital”:

- 721 “Revenue from investments in associated enterprises”, which is intended to summarize information on revenue associated with an increase in the investor’s share in the net assets of the investment object due to the receipt of profits by associated enterprises;

- 722 “Revenue from joint activities”, which is intended to summarize information on revenue associated with an increase in the investor’s share in the net assets of the investment object due to the receipt of profits by joint ventures;

- 723 “Revenue from investments in subsidiaries”, which is intended to summarize information on revenue associated with an increase in the investor’s share in the net assets of the investment object due to the receipt of profits by subsidiaries.

Analytical accounting of revenue from participation in capital is conducted for each investment object and other signs determined by the enterprise. In accounting, revenue from

<sup>555</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

participation in capital is reflected in the following documents: contracts, bank statements, accounting certificates, etc.

Other financial revenue is revenue received from transactions with financial investments, in addition to revenue recorded by the method of participation in capital. Such revenue includes dividends, interest, royalties, accrued depreciation of the premium. The procedure for recognizing other financial revenue is shown in Fig. 3.15.

The following subaccounts are opened to account 73 “Other financial revenue”:

- 731 “Dividends received”, which is intended to summarize information on the dividends due from other enterprises that are not associated, subsidiary and joint;

- 732 “Interest received”, which is intended to summarize information on interest on bonds or other securities that are not recorded on subaccount 731 “Dividends received”, as well as remuneration for non-current assets leased, etc.;

- 733 “Other revenue from financial transactions”, which is intended to summarize information on other revenue from financial activities (revenue in the amount of depreciation of the premium on issued bonds, etc.).<sup>556</sup>

To account for and summarize information about other financial revenues, account 73 “Other financial revenue” is intended (Table 3.22).

Analytical accounting of other financial revenue is carried out on investment objects. In accounting, other financial revenue is reflected in the following documents: contracts, accounts, payment orders, bank statements, accounting certificates, etc.<sup>557</sup>

Other revenues of ordinary activities include revenue from: the sale of financial investments and property complexes; non-operational exchange rate differences; non-current assets received free of charge in the amount of accrued depreciation on such objects; other revenue from ordinary activities.<sup>558</sup>

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<sup>556</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

<sup>557</sup> The same source.

<sup>558</sup> The same source.

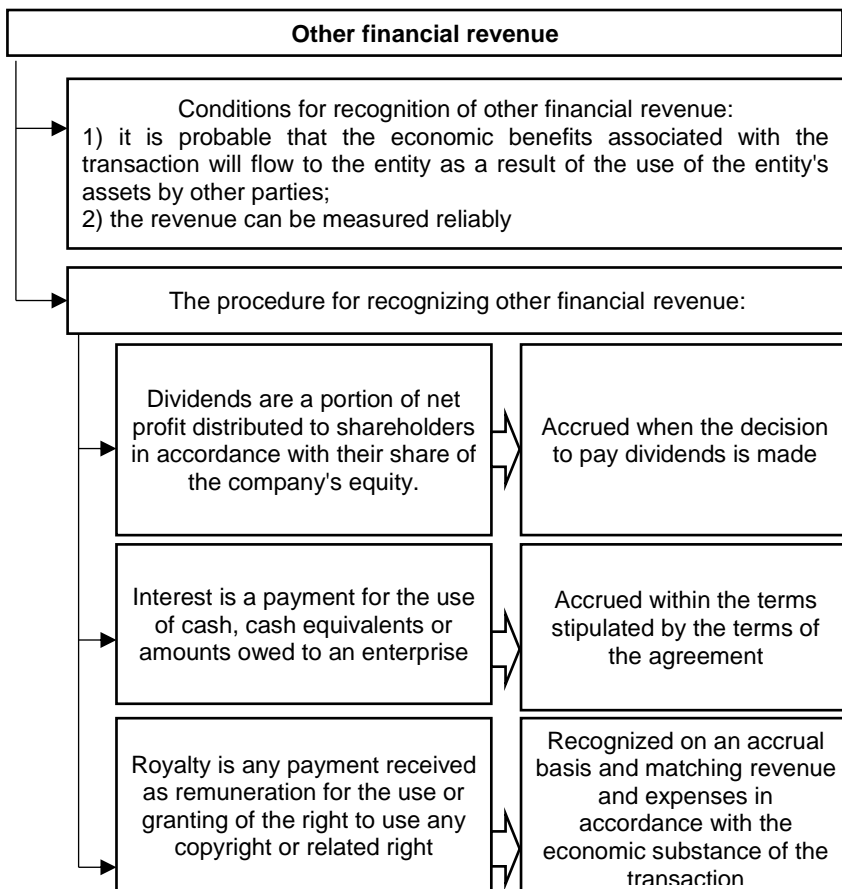


Fig. 3.15. Conditions and procedure for recognition of other financial revenue

Source: <sup>559</sup>

To account for and summarize information about other revenue, account 74 “Other revenue” is intended (Table 3.23).

The following subaccounts are opened to account 74 “Other revenue”:

<sup>559</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

Table 3.22

**Characteristics of account 73 “Other financial revenue”**

Account name and number	Purpose of the invoice	Display of information about other financial revenue			
		On account 73		In the accounting register	In reporting
		by debit	for a loan		
73 “Other financial revenue”	To account for revenue arising in the course of the financial activities of the enterprise, in particular dividends, interest and other revenue from financial activities that are not recorded on account No. 72 "Revenue from participation in capital"	The write-off of revenue to account 79 is displayed	The revenue write-off is displayed	Journal 6 ag.	Line 2220 Statement of financial results

Source: <sup>560</sup>

- 741 “Revenue from the sale of financial investments”, which is intended to summarize information on revenue from the sale of financial investments;
- 742 “Revenue from the restoration of the usefulness of assets”, which is intended to summarize information on recognized revenue from the restoration of the usefulness of assets;
- 744 “Revenue from non-operational exchange rate differences”, which is intended to summarize information on exchange rate differences on assets and liabilities in foreign

<sup>560</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

Table 3.23

**Characteristics of account 74 "Other revenue"**

Account name and number	Purpose of the invoice	Display of information about other revenue			
		On account 74		In the accounting register	In reporting
		by debit	for a loan		
74 "Other revenue"	To account for revenue that arises in the course of ordinary activities, but is not related to the operational and financial activities of the enterprise	The amount of indirect taxes due and the write-off of revenue to account 79 is reflected	Displayed increase (receiving) Revenue	Journal 6 ag.	Line 2240 of the Statement of Financial Results

Source:<sup>561</sup>

currency related to the financial and investment activities of the enterprise;

- 745 "Revenue from gratuitously received assets", which is intended to summarize information on revenue from free-of-charge non-current assets, financial investments and targeted financing of capital investments;

- 746 "Other revenue from ordinary activities", which is intended to summarize information on other revenue from ordinary activities (write-off of accounts payable that did not arise during the operating cycle after the expiration of the limitation period; from exceeding the value of the buyer's share in the fair value of the acquired identified assets, liabilities and unforeseen liabilities of the acquisition object over the totality of the expenses of combining enterprises and/or their types

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<sup>561</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

economic activity the amount of revaluation of non-current assets).<sup>562</sup>

In accounting, other revenues of ordinary activities are reflected in the following documents: contracts and contracts, invoices, invoices, consignment notes, revenue orders, acts of acceptance and transfer (internal movement) of fixed assets, acts of revaluation of assets, payment orders, bank statements, accounting certificates, etc.<sup>563</sup>

The main difference between investment and financial flows is that investment flows are always associated with the investment of kapi gal, already accumulated in past activities. The financial activity of the enterprise is associated with raising funds by issuing shares and bonds, increasing the authorized capital or obtaining loans and loans in banking and non-banking institutions. In other words, according to national accounting standards, financial activity is raising capital.<sup>564</sup>

Accounting nomenclatures of generalized revenue accounting are formed under the influence of indicators of the forms of financial, intra-business, statistical and tax reporting and the determination of financial results. The main system of indicators is formed under the influence of financial statements (form No. 2 of the Statement of Financial Results and requirements of notes to financial statements). For the selection of nomenclatures make the appropriate table.<sup>565</sup>

The main carrier of generalized accounting is the balance of the period. It is compiled according to the generally accepted form.

To summarize various data, cumulative information is developed. The main attention should be paid to the formation of accumulative information by type of activity, industry, sub-sector, as well as generalized data for notes to the financial

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<sup>562</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

<sup>563</sup> The same source.

<sup>564</sup> Hudz N.V., Denchuk P.N., Romaniv R.V. Accounting. Tutorial. K. : "Center for Educational Literature", 2016. 424 p.

<sup>565</sup> Sopko V.V., Zavgorodniy V.P. Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

statements.

A fragment-sketch should be drawn up on each medium.

For each primary document, an operogram should be drawn up for all operations – from the first to the last (submission to the archive) – according to the data above in the previous paragraphs (subsections).

After drawing up individual schedules, a consolidated schedule of document flow for the enterprise as a whole is drawn up.<sup>566</sup>

In modern conditions, all production relations are reflected in the financial results, in addition, agricultural enterprises can receive certain necessary types of resources if they have a sufficient amount of financial resources. In addition, their potential development opportunities depend on the state, dynamics and structure of financial support of enterprises.

So, positive financial results for agricultural enterprises are the key to their successful functioning. They are the determining economic category and the main measure of the efficiency of the enterprise.<sup>567</sup>

The process of forming financial results is carried out in several stages:

1. Definition of goals in accordance with the main strategy of enterprise development;
2. Justification of criteria and establishment of their forecast values;
3. Monitoring the influence of external and internal factors;
4. Assessment of the deviation of the actual values of financial indicators from the projected ones;
5. Justification of alternative options and measures to reduce the impact of negative and increase the influence of positive factors;
6. Diagnosing revenue inflows and optimizing expenses to

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<sup>566</sup> Sopko V.V., Zavgorodniy V.P. Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

<sup>567</sup> Goncharuk I.V., Starosud V.I., Mulyk T.O. Financial results of agricultural enterprises: the mechanism of formation and analytical assessment (on the example of Yalta experimental breeding station IBK and Central Bank of the National Academy of Sciences of Ukraine. *Economy. Finance. Management: topical issues of science and practice*. 2018. No. 3. pp. 18–34.

assess the effectiveness of the entire process and its individual components.

It is necessary to determine the range of factors that have a direct impact on the financial result. Factors of influence should be grouped in the following areas:

1. Factors determining revenue and expenses;
2. Factors of the external and internal environment;
3. Objective factors (material conditions of production) and subjective (efficiency of the management system);
4. Groups of factors by type of activity (main; operational; investment and financial; ordinary; extraordinary) (Fig. 3.16).

This will increase the purposefulness of managing the financial results of the enterprise.<sup>568</sup>

In the context of transformational changes in the market economy, the strategic development of the agricultural sector and the increase in its competitiveness largely depend on the effective functioning of the business structures of agribusiness.

Production and economic activity of agricultural enterprises takes place in conditions of instability and changes in the external environment, the unpredictable impact of which negatively affects the indicators of economic efficiency and leads to the riskiness of production and economic operations, reducing the level of their competitiveness. One of the dominant indicators of the effective functioning of agricultural enterprises is precisely the financial result.

The financial results of agricultural enterprises should be considered as a universal economic category that reflects the performance of the enterprise by comparing the revenue received from a certain type of agricultural products or biological assets, a particular industry, type of activity or enterprise as a whole with the amount of expenses incurred to receive them.

Also, profit is the main internal source of formation of financial resources of an agricultural enterprise, which ensure its development. The higher the level of profit, the lower the

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<sup>568</sup> Tkachenko I.S., Proskurovych O.V. Economic and mathematical modeling of the financial result of the enterprise. *Economics: the realities of time*. 2017. No. 3(31). pp. 84-94. URL: <http://economics.opu.ua/files/archive/2017/No3/84.pdf>.



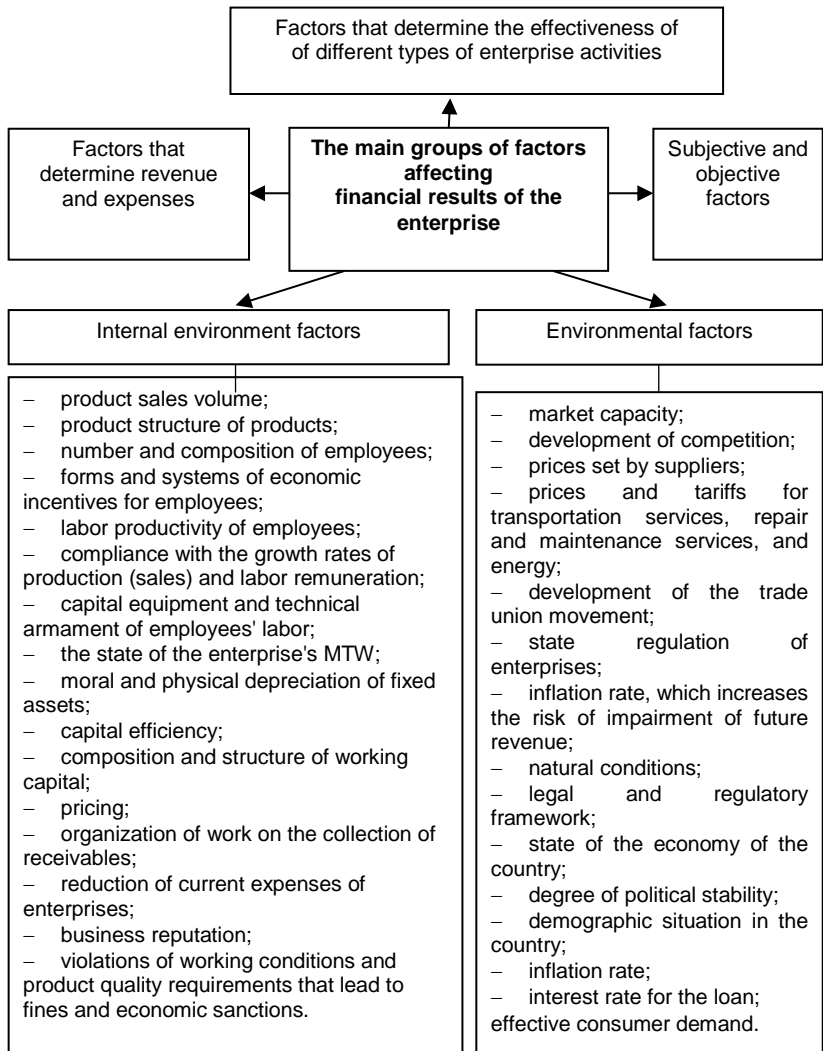


Fig. 3.16. The main groups of factors affecting the formation of the financial result of the enterprise

Source: <sup>569</sup>

<sup>569</sup> Tkachenko I.S., Proskurovych O.V. Economic and mathematical modeling of the financial result of the enterprise. *Economics: the realities of time*. 2017. No. 3 (31). pp. 84-94.

need to attract funds from external sources and the higher the level of self-financing of the development of the enterprise, ensuring the implementation of strategic goals, increasing the competitive position of the enterprise in the market.

Due to the specifics of the production and economic activities of the entrepreneurial structures of the agricultural sector, the formation of the financial result in agricultural enterprises has a number of certain features, among which the following are dominant:

1. The influence of natural and climatic factors on the process of profit formation (characteristic seasonality of production);

2. Diversified nature of agricultural enterprises: production of various crop and livestock products, processing of own and tolling raw materials;

3. Involvement in the economic process of irreplaceable natural and biological factors of production and biological assets, which determines the peculiarities of their assessment, reflection in the system of accounts, as well as the specifics of accounting for the production process (biological transformations) and the calculation of the cost of production received;

4. The status of an agricultural producer makes it possible to use a simplified taxation system with the payment of a single tax and a special tax regime for value added tax<sup>570</sup>.

The financial result of agricultural enterprises, taking into account the industry characteristics of their functioning, is influenced by two groups of factors: factors that do not depend on the activities of the enterprise (external) and factors within the competence of the enterprise (internal) (Fig. 3.17).

Each enterprise that participates in the economic turnover is created in a certain organizational and legal form. It determines the responsibility and powers of the founders of the enterprise, the general structure of enterprise management, in particular,

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<sup>570</sup> Dobrunik T.P. Features of managing the financial results of agricultural enterprises. *Economic Bulletin of Zaporizhzhya State Engineering Academy*. 2016. Issue 5-1 (05). pp. 76–83.

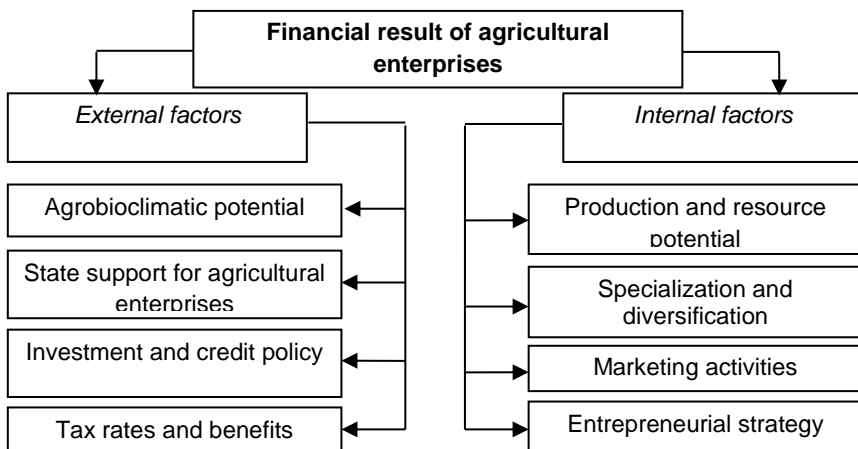


Fig. 3.17. Factors affecting the financial result of agricultural enterprises

Source: <sup>571</sup>

the structure and nature of financial management, the procedure for the formation of capital and the distribution of revenue (profits).

Depending on the forms of ownership provided for by law, enterprises of the following types may operate in Ukraine:

1. A private enterprise operating on the basis of private property of citizens or a business entity (legal entity);
2. An enterprise operating on the basis of collective ownership (collective ownership enterprise);
3. A communal enterprise operating on the basis of communal property of a territorial community;
4. State-owned enterprise operating on the basis of state ownership;
5. An enterprise based on a mixed form of ownership (on the basis of combining property of various forms of ownership).

In Ukraine, there may also be other types of enterprises provided for by law.

<sup>571</sup> Dobrunik T.P. Features of managing the financial results of agricultural enterprises. *Economic Bulletin of Zaporizhzhya State Engineering Academy*. 2016. Issue 5-1 (05). pp. 76–83.

If in the authorized capital of an enterprise a foreign investment is not less than ten percent, it is recognized as an enterprise with foreign investments. An enterprise in the authorized capital of which a foreign investment is one hundred percent is considered a foreign enterprise.

Depending on the method of formation (establishment) and formation of the authorized capital, unitary and corporate enterprises operate in Ukraine.

The most common form of business organization is a business partnership. It is recognized as an enterprise, institution, organization created on the basis of an agreement and by combining property and entrepreneurial activity for the purpose of making a profit. The economic company operates on the basis of constituent and statutory documents.

Business partnerships include:

1. A joint-stock company is a business company whose authorized capital is divided into a certain number of shares of the same nominal value, the corporate rights for which are certified by shares.

2. Private Joint Stock Company

3. A limited liability company is a company that has the authorized capital divided into parts specified in the statutory documents. Participants are liable solely within the limits of their contributions and are prohibited from making an open subscription to shares (otherwise it would resemble a joint stock company).

4. A company with additional liability, which resembles the previous case, however, the participants for the company's debts are responsible for their contributions, and if they are insufficient, additionally with their property in a multiple of the contributions of each of the participants, and the multiplicity coefficient is stipulated in the statutory documents.

5. A full partnership in which the participants are jointly and severally liable for the liabilities of the company with all their property.

6. Limited partnership. A limited partnership is a partnership in which, along with one or most participants who are liable for all property, there are one or more participants whose liability is

limited to their contribution (which does not exceed 50% of the property of such a company).

Features of the legal status of enterprises are established by the Commercial Code of Ukraine, other legislative acts.<sup>572</sup>

The financial result is a generalized indicator that characterizes the effectiveness of the business entity.<sup>573</sup>

Primary accounting of financial performance is the process of comparing revenue and expenses for each type of activity for each reporting period.<sup>574</sup>

The initial nomenclature of primary accounting of financial results is determined by the nature of revenue receipts and components of expenses from the relevant type of activity: production, commercial, financial, etc.

To determine the nomenclature, you need to make a table according to the above sample (Table 3.24).

*Table 3.24*

**Accounting nomenclature of primary accounting of financial results**

No.	Characteristics of data for accounting	Using credentials	In expression		In which media does information appear for the first time	Notes
			Quantifiable	Qualitative		

*Source:*<sup>575</sup>

<sup>572</sup> Commercial Code of Ukraine. Law of Ukraine of 16.01.2003 No. 436-IV. URL: <http://zakon2.rada.gov.ua/laws/show/436-15>.

<sup>573</sup> Vyslovskaya R. Economic characteristics of the financial result of the enterprise. Bulletin of the Student Scientific Society "VATRA" of Vinnytsia Institute of Trade and Economics of KNTEU. Vinnytsia : Publishing and Editorial Department of VTEI KNTEU, 2018. Issue. 49. pp. 65–67.

<sup>574</sup> Sopko V.V., [Zavgorodniy V.P.] Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

<sup>575</sup> The same source.

The organization of carriers of the nomenclature of primary accounting of financial results depends on the types and forms of preliminary accounting actions.<sup>576</sup>

A significant part of the carriers of primary accounting is formed as the final indicator of the accounting register (information, calculation, etc.), in addition to those that are of an intra-business, accounting nature, it is necessary to develop at the enterprise a way to draw up a sketch and approve an order on accounting policies.<sup>577</sup>

To organize the movement of primary accounting carriers for each document, an operogram graph is compiled according to the above rules.

The basis of the organization of current accounting of financial results is formed by data from analytical and synthetic accounting. The development of nomenclatures for current accounting of financial results is carried out by the generally accepted method of selecting indicators (data) by drawing up a table, the form of which is given above (Table 3.24).

The main carriers of current accounting of financial results are accounting registers of analytical and synthetic accounting, where financial results are reflected according to the relevant data. For each carrier-register of analytical accounting, the register of synthetic accounting, the accumulation table, etc., a fragment-sketch is compiled.

The organization of carriers of current accounting ends with the formation of albums of forms.<sup>578</sup>

Accounting nomenclatures of generalized accounting of financial results are formed under the influence of indicators of the forms of financial, intra-business, statistical and tax reporting. In addition to reporting forms, the system of indicators is influenced by the requirements of notes to financial statements and financial analysis for making management

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<sup>576</sup> Sopko V.V., Zavgorodniy V.P. Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

<sup>577</sup> The same source.

<sup>578</sup> The same source.

decisions.<sup>579</sup>

For the selection of nomenclatures make the appropriate table. The main carrier of generalizing accounting is the balance of the period. It will be compiled on a generally accepted basis. To summarize various data for needs, cumulative tables and information are developed.

The main attention should be paid to the formation of accumulative information by type of activity, industries, sub-sectors.<sup>580</sup>

The basis for the correct determination of the financial result is a scientifically based organization and methods of its accounting.<sup>581</sup>

The organization of accounting for the financial results of the enterprise consists of two blocks.

The first consists in determining the financial result of the company's activity for the reporting period by comparing the income and expenses of the reporting period. Such a comparison is carried out by calculation in the accounting reference. It is this document that is the basis for conducting all operations on accounting accounts in the relevant accounting registers.

The second is the closing of income and expense accounts on account 79 "Financial results", which are also reflected in the accounting reference. It summarizes information about financial results from ordinary activities and extraordinary events.

In particular, the credit of account 79 "Financial results" and its sub-accounts shows the amounts in the order of closing the income accounting accounts, and the debit - the amounts in the order of closing the expense accounting accounts, as well as the due amount of accrued income tax.<sup>582</sup>

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<sup>579</sup> Sopko V.V., Zavgorodniy V.P. Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

<sup>580</sup> The same source.

<sup>581</sup> Klantzata M. Accounting for financial results from the operating activities of the enterprise. Bulletin of the Student Scientific Society "VATRA" of Vinnytsia Institute of Trade and Economics of KNTEU. Vinnytsia : Publishing and Editorial Department of VTEI KNTEU, 2018. Issue. 49. pp. 65–67.

<sup>582</sup> Tearko T.M., Mazina O.I. Organization of accounting: Textbook. posib. for stud. higher. training. zakl. K.: Kyiv. National. torg.-econ. un-t, 2014. 368 p.

Accounting for financial results is carried out on the financially effective account 79 “Financial results”, the nature of the stock of which is discussed in Fig. 3.18.

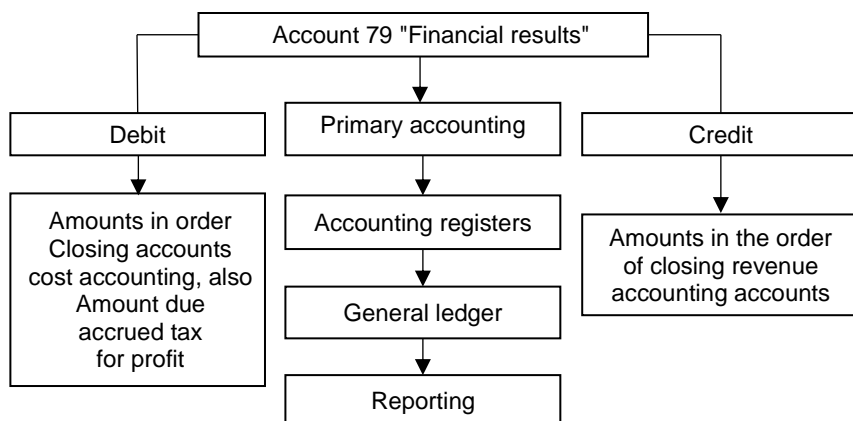


Fig. 3.18. Characteristics of account 79 “Financial result”  
Source: <sup>583</sup>

Account 79 “Financial Results” has the following subaccounts: 791 “Result of operating activities”; 792 “Result of financial transactions”; 793 “The result of other ordinary activities”.<sup>584</sup>

Accounting of financial results is carried out in relation to the results of each type of activity for which the corresponding subaccount is opened.<sup>585</sup>

The procedure for the formation of the financial result, in accordance with NR(S)A 1 “General requirements for financial statements” is shown in Fig. 3.19.<sup>586</sup>

<sup>583</sup> Gutsalenko L.V., Motenko O.O. Formation of financial results in the context of accounting. International scientific-practical conference “Development of agrarian economy in the conditions of institutional transformations”. May 12-13, 2016. VNAU. Vinnytsia. pp. 30–34.

<sup>584</sup> Klantzata M. Accounting for financial results from the operating activities of the enterprise. Bulletin of the Student Scientific Society “VATRA” of Vinnytsia Institute of Trade and Economics of KNTEU. Vinnytsia : Publishing and Editorial Department of VTEI KNTEU, 2018. Issue. 49. pp. 65–67.

<sup>585</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>586</sup> The same source.



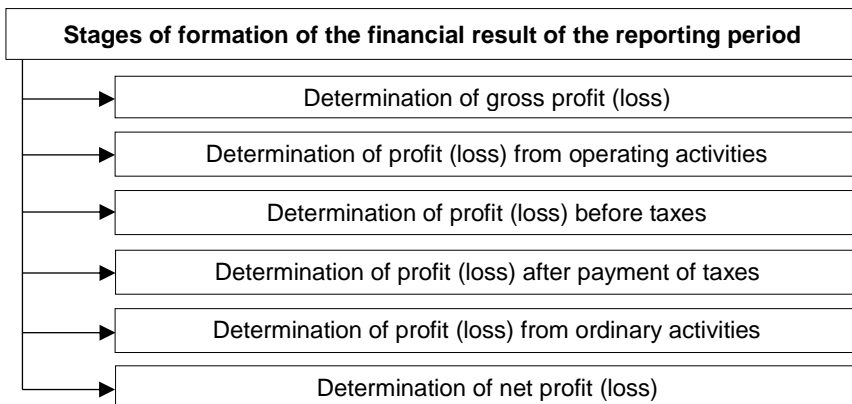


Fig. 3.19. Stages of formation of the financial result  
 Source: <sup>587</sup>

The company receives the amount of profit from its main activity, financial transactions and other ordinary activities (Fig. 3.21).

In this system construction, there are no separate accounts for calculating the results of the main and other operating activities. To reflect them, one subaccount 791 “Result of operating activities” is intended.<sup>588</sup>

The balance of account 79 “Financial results” at its closing (at the end of the reporting period) is written off to account 44 “Retained earnings” (uncovered losses).

In the case of credit balance of account 79 “Financial results” (profit): d-t 79 c-t 44.

In the case of the debit balance of account 79 “Financial results” (loss): d-t 44 c-t 79.

The determined amount should be equal to the amount of net profit (loss), which is calculated in the financial statements of form 2 “Statement of financial results” (“Statement of total revenue”) for the quarter, half year, 9 months, year.

<sup>587</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: “Magnolia 2006”. 2014. 432 pp.

<sup>588</sup> The same source.

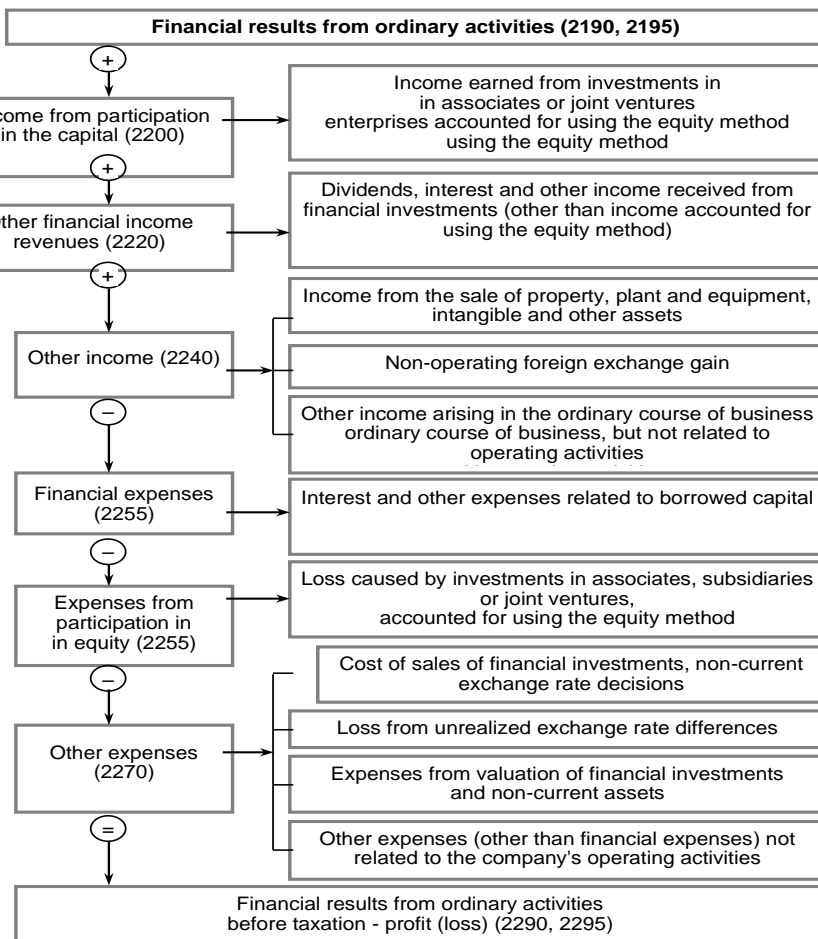


Fig. 3.20. Formation of financial results from ordinary activities

Source: <sup>589</sup>

The process of sales of products is important, since the implementation as a component of the overall process of reproduction is the final stage in the movement of the product from the sphere of production to the sphere of consumption.

<sup>589</sup> Sopko V.V., Zavgorodniy V.P. Organization of accounting, economic control and analysis: Textbook. K. : KNEU, 2004. 411 pp.

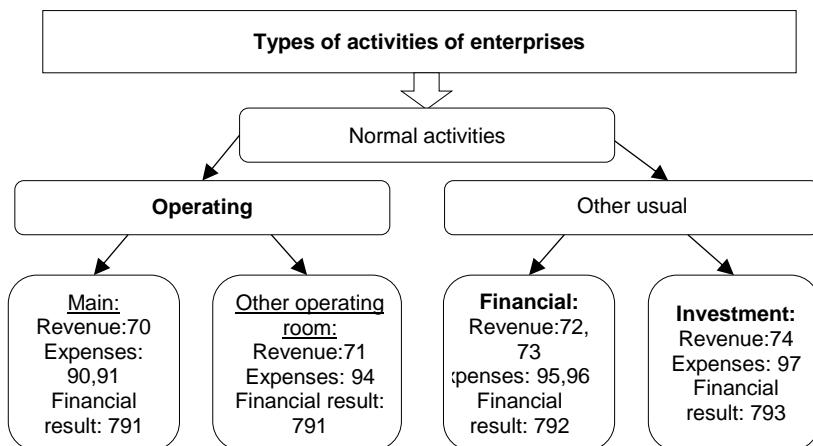


Fig. 3.21. Structural and logical model of reflection of various activities of the enterprise in financial accounting

Source: <sup>590</sup>

Without it, it is impossible to repeat the production process. It acts as a prerequisite for production and reproduction. In the continuity of the process of social reproduction, the fact of sale means the entry of a product into the sphere of production, if it enters production consumption, or into the sphere of circulation, if it is intended for sale to the population.<sup>591</sup>

The value and role of the implementation process increases significantly in the conditions of the formation of market relations and the creation of a competitive environment.<sup>592</sup>

It should be noted that the company receives the bulk of its revenue precisely from the sale of products of its activities. As a result of the sale of products, the social utility of the product produced, its compliance with the requirements of the buyer, customer or market is revealed; By comparing the revenue and expenses of the enterprise, the financial result is calculated.

<sup>590</sup> Gnatashin L.B., Prokopyshyn O.S. Organization of accounting: textbook. posib. Lviv: "Magnolia 2006". 2014. 432 pp.

<sup>591</sup> Chepets O.G., Klochko K.Y. Features of the organization of accounting for the process of sales of products. Efficient economy. 2017. No. 1. URL: <http://www.economy.nayka.com.ua/?op=1&z=5395>.

<sup>592</sup> The same source.

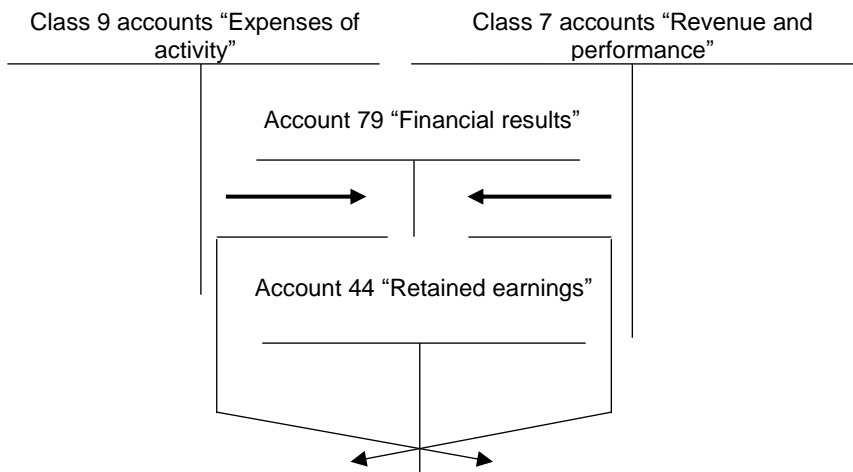


Fig. 3.22. Accounting scheme for the formation of the financial result

Source:<sup>593</sup>

The sale of products, goods, works, services is the most important source of revenue not only for the enterprise, but also forms the profitable part of the state budget as an object of taxation. In this regard, it requires the necessary organization to account for the sale of products. After all, the correct determination of the financial result of the enterprise depends on the quality of accounting.<sup>594</sup>

At the enterprises of the production sector, three methods of calculating profits from the sale of products can be used: direct calculation, according to the cost of one hryvnia of production, the economic (analytical) method.

The method of direct calculation. Profit is calculated for certain types of products manufactured and sold. The calculation requires the following initial data:

<sup>593</sup> Kundrya-Vysotska O.P., Moskalenko O.V., Sulyma O.M. Organization of accounting: textbook. Manual. K.: UBS NBU. 2015. 337 p.

<sup>594</sup> Chepets O.G., Klochko K.Y. Features of the organization of accounting for the process of sales of products. Efficient economy. 2017. No. 1. URL: <http://www.economy.nayka.com.ua/?op=1&z=5395>.

1. List and quantity of products of the corresponding nomenclature (assortment), planned for production and sale.
2. Unit cost.
3. Unit price (manufacturer's price).

This method of calculation is used for a relatively small range of products. The method is quite accurate, but too laborious, especially when a large range of products is sold. In addition, it does not provide an opportunity to find out the impact on the profits of individual factors.

Calculation of profit based on the cost indicator for one hryvnia of production. This is an enlarged method that can be used by the enterprise as a whole to calculate the profit from the sale of all products. The method involves the use of data on production expenses and sales of products for the previous period, as well as their expected change, which is predicted in the next period.

Economic (analytical) method. It differs from the already considered methods of calculating profits in that it makes it possible to determine not only the total amount of profit, but also the impact on it of changes in individual factors: the volume of production (sales) of products; cost of production; price level and product profitability; product range and quality.

The calculation of profit according to this method is carried out separately for comparable and incomparable products in the planned period (comparable – these are products that were produced in the previous period; incomparable – these are products that were not produced at the enterprise in the previous period).

Profit from a financial (accounting) point of view is determined in the following order.

Net revenue (revenue) from sales is the sum of money received by the enterprise from the sale of products (goods, works, services) at sales prices without value added tax, excise tax and customs duties.

Gross profit is the profit calculated for products sold in the form of the difference between net revenue (revenue without VAT, excise tax and other deductions from revenue) from the sale of products (goods, works, services) and the cost of goods

sold (goods, works, services).

The cost of production (goods, works, services) is expressed in monetary form the current expenses of the enterprise for its production and sale.

Gross profit is also called profit from the sale of products, works, services. In terms of size, the profit from the sale of products, although identical to the net revenue sold, is less than the net revenue of the enterprise by the amount that remains in the balances of products used for internal economic needs.

In addition to profits from sales, enterprises calculate profit from core activities, profit from investment activities, profit (loss) from non-operating operations, financial result before tax, net financial result. Each of these types of profits has its own calculation scheme and size.

Profit from operating (main) activities is defined as the sum of gross profit and other operating revenue minus administrative expenses, sales expenses, works of services and other operating expenses.

At the same time, other operating revenue includes: revenue from operating leases of assets; revenue from operating exchange rate differences; reimbursement of previously written off assets; revenue from the sale of current assets, etc.

The financial result before tax is defined as the amount of profit from operating (main) activities, revenue from participation in capital, financial and other revenue minus the expenses of participation in capital, financial and other expenses.

Net financial result (profit/loss) is a part of profit after deducting revenue tax and profit (loss) from discontinued activities after tax.<sup>595</sup>

To determine the financial result for the reporting period, it is necessary to adhere to the following principles of recognition of revenue and expenses:

- the principle of accrual;
- the principle of compliance;
- the principle of periodicity.

Accrual principle – involves the reflection of the results of

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<sup>595</sup> Aranchiy V.I., Chumak V.D., Brazhnik L.V. Finance of enterprises. Tutorial. 2nd edition. Poltava. 2018. 350 pp.

business transactions in the reporting period when a financial transaction takes place, not taking into account the moment of receipt or payment of funds.

The principle of compliance is to compare the revenue and expenses of the reporting period, that is, the expenses incurred to generate revenue must be consistent with this revenue.

To determine the financial result, based on the principle of frequency, the revenue and expenses of the enterprise are distributed according to the reporting periods.

The financial result is determined in the following sequence:

1. “Purification” of realizable revenue from indirect taxes, in particular from VAT.

2. Determination of gross profit (loss) as the difference between net revenue and cost of sales.

3. Determination of revenue from operating activities by deducting from the net revenue of administrative expenses, sales expenses, as well as adjusting this amount for profit (loss) from other operating activities.

4. Determination of revenue and expenses (losses) from participation in capital – determines the revenue (expenses) received from investments in an associated enterprise, which are recorded by the method of participation in capital.

5. Determination of revenue and expenses from financial activities – dividends, interest related to borrowed capital are reflected.

6. Determination of other revenue and expenses – reflects revenue and expenses associated with the implementation of financial investments, non-current assets and other revenue and expenses arising in the process of carrying out ordinary activities.

7. Determination of the financial result from ordinary activities before and after tax – all types of revenue and expenses from ordinary activities are taken into account.

8. Determination of total net profit (loss).<sup>596</sup>

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<sup>596</sup> Kononova O.E. Organization of accounting: Textbook. manual. Dnipro. SHEI PDABA. Vein. 2018. 102 p.

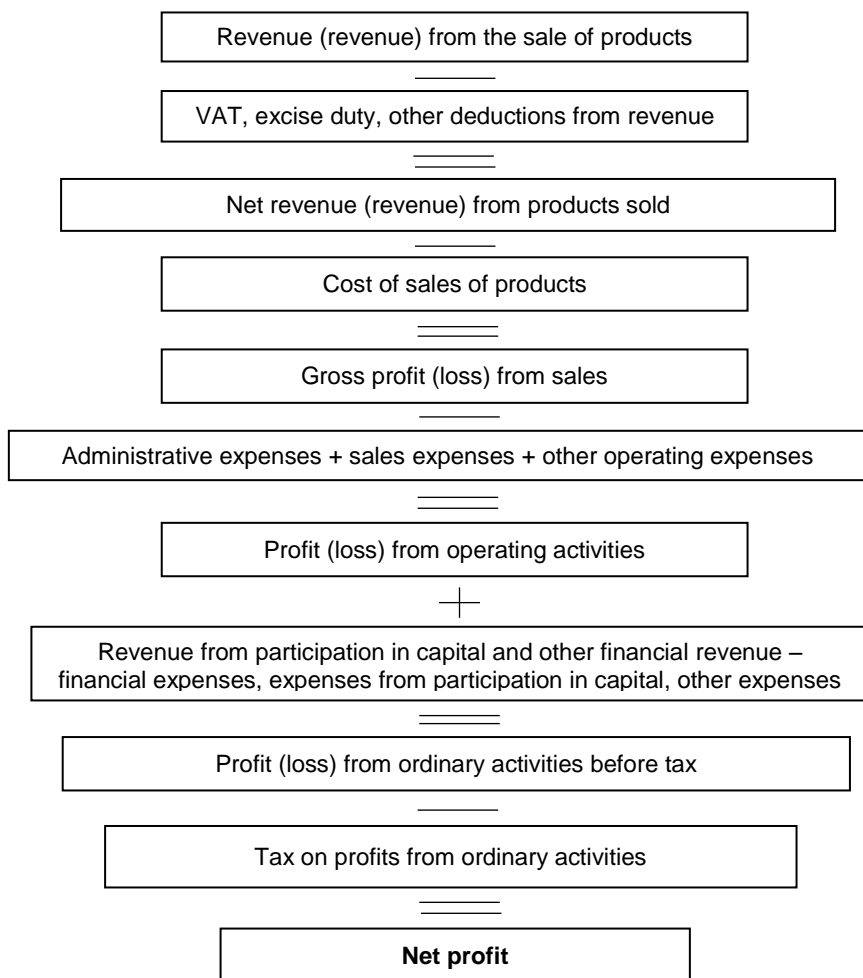


Fig. 3.23. Formation of net profit

Source: <sup>597</sup>

In world practice, two methods are used to determine financial results:

<sup>597</sup> Strishenets O. Analytical approaches to profit management in the enterprise. Economic Journal of the East European National University named after Lesya Ukrainka. No. 2. 2018. pp. 18–25.



1) the method of comparing revenue and expenses (or the “cost-release” method) – the definition of profit (loss) as the difference between revenue and expenses of the reporting period;

2) the method of comparing capital (or the method of changing net assets) – determining the increase in equity in the reporting period as the difference between the amount of equity at the end and at the beginning of the reporting period.

It is advisable for enterprises to determine the financial result by comparing revenue and expenses. It allows you to analyze the expenses and revenue of the enterprise, the volume of its activities, quickly calculate profits. This method provides more information about the financial and economic activities of the enterprise than the method of comparing capital. According to the method of comparing revenue and expenses, it is possible to determine the profit from certain types of activities, from the sale of products (works, services) and non-operating revenues, and by the method of comparing capital – only balance (total) profit.<sup>598</sup>

Let us consider in more detail information on accounts and the procedure for the formation of financial results by type of activity.

Operational activity is an activity that is recorded in the constituent documents, related to the production and sale of products, and is the determining goal of creating an enterprise that provides the bulk of its profits. Most of the profits are formed from revenue from the sale of products, goods, works, services and other operating revenue.<sup>599</sup>

To account for and summarize information on the financial results of operating activities, subaccount 791 “Result of the main activity” is intended (Table 3.25).

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<sup>598</sup> Chepets O.G., Klochko K.Y. Features of the organization of accounting for the process of sales of products. Efficient economy. 2017. No. 1. URL: <http://www.economy.nayka.com.ua/?op=1&z=5395>.

<sup>599</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

Table 3.25

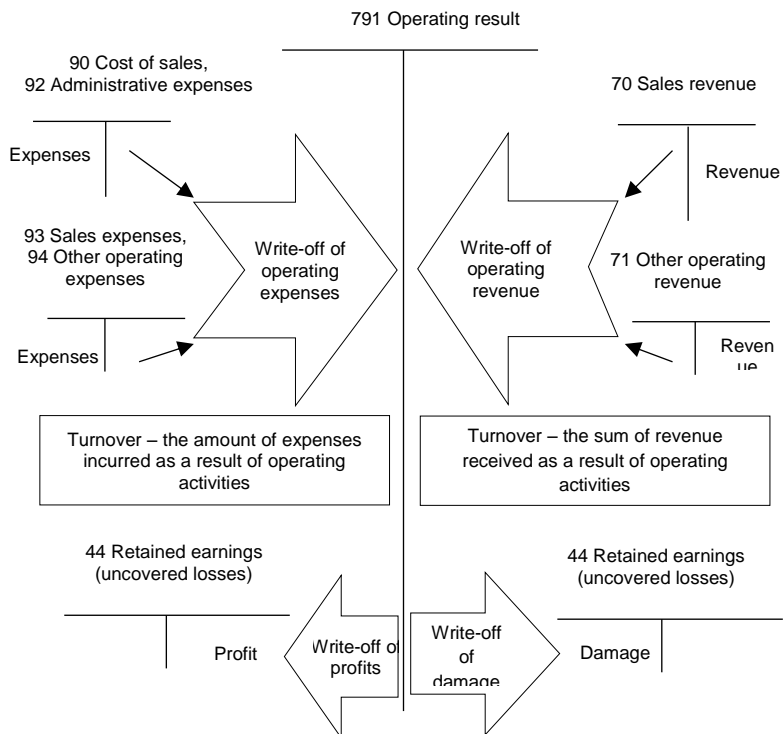
**Characteristics of a subaccount  
791 “Result of core business”**

Account name and number	Appointment Account	Display of information about the results of core business			
		To the subaccount 791		In the accounting register	In reporting
		by debit	for a loan		
791 “The result of the main activity”	To determine the profit (loss) from the operating activities of the enterprise	The amount is reflected in the order of closing accounts for the cost of finished products sold, goods, works and services, administrative expenses, sales expenses, and other operating expenses (accounts 90, 92, 93, 94)	The amount is reflected in the order of closing accounts of revenue from the sale of finished products, goods, works, services and other operating activities (accounts 70, 71)	Journal 6 ag.	Revenue statement

Source: <sup>600</sup>

Revenue and expenses of operating activities are accumulated on accounts 70 “Revenue from sales”, 71 “Other operating revenue” and 90 “Cost of sales”, 92 “Administrative expenses”, 93 “Sales expenses”, 94 “Other expenses of operating activities”, and at the end of the reporting period are written off to subaccount 791 “Result of operating activities”. By comparing the turnover of subaccount 791 “Result of core business”, the financial result (profit, loss) from the main activity of the enterprise.

<sup>600</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.



**Fig. 3.24. Scheme of accounting for financial results of operating activities**

Source: <sup>601</sup>

The financial activity of the enterprise is related to the attraction of financial resources by issuing shares, bonds, obtaining bank loans, etc. So, the operations of financial activity cause a change in the size and composition of the company's own and borrowed capital.<sup>602</sup>

To account for and summarize information on the results of financial activities, subaccount 792 "Result of financial transactions" is intended (Table 3.26).

<sup>601</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

<sup>602</sup> The same source.

Table 3.26

**Characteristics of subaccount  
792 “Result of financial transactions”**

Account name and number	Appointment Account	Display of information on the results of financial activities			
		To the subaccount 792		In the accounting register	In reporting
		by debit	for a loan		
792 “Result of financial operations”	To determine the profit (loss) from the financial operations of the enterprise	The write-off of financial expenses from accounts 95 "Financial expenses" and 96 "Losses from participation in capital" is displayed	Reflects the write-off of revenue from participation in capital and other financial revenue	Journal 6 ag.	Revenue statement

Source:<sup>603</sup>

The procedure for determining and accounting for the results of financial transactions is shown in Fig. 3.25.

Other ordinary activities include investment and other ordinary activities. The outcome of other ordinary activities is determined by comparing the revenue received from transactions from other ordinary activities and the expenses incurred to receive such revenue.

To account for and summarize information on the financial results of other ordinary activities, subaccount 793 “Result from other ordinary activities” is intended (Table 3.27).

The procedure for determining and taking into account the results of another ordinary activity is shown in Fig. 3.26.

<sup>603</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

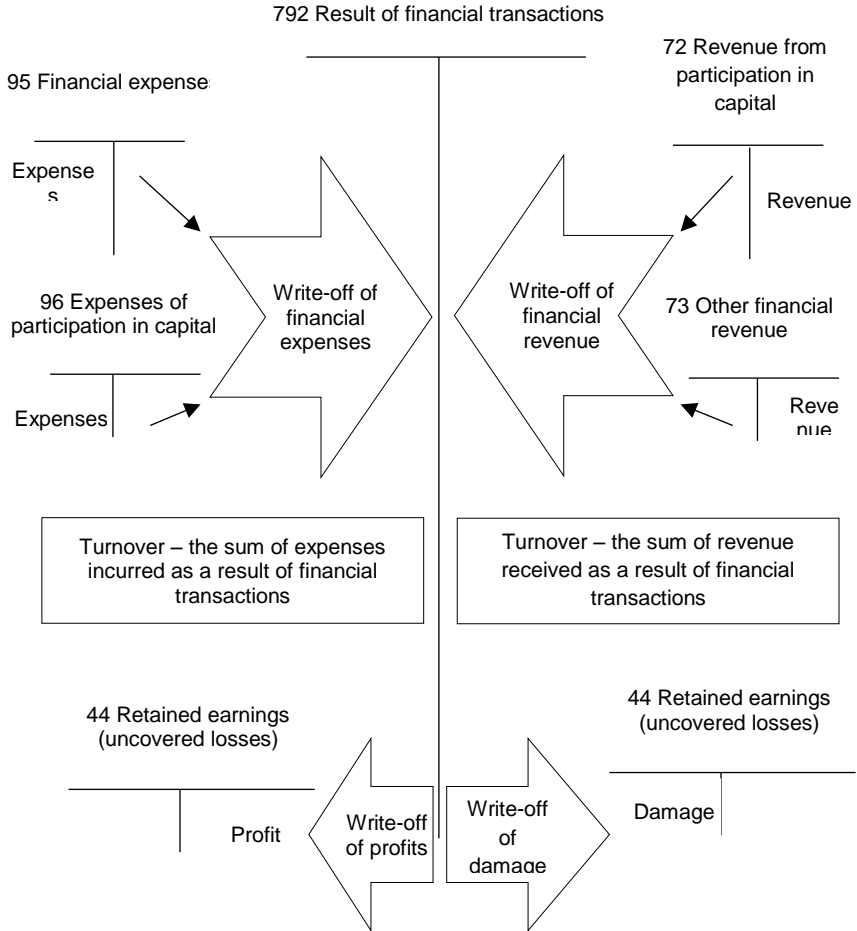


Fig. 3.25. Scheme of accounting for the results of financial transactions

Source: <sup>604</sup>

<sup>604</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

Table 3.27

**Characteristics of subaccount  
793 “Result from other ordinary activities”**

Account name and number	Purpose of the invoice	Display of information about the results of other normal activities			
		On account 793		In the accounting register	In reporting
		by debit	for a loan		
793 “Result from other ordinary activities”	To determine the profit (loss) from other ordinary activities of the enterprise	The write-off of expenses from account No. 97 “Other expenses” is displayed	Reflects the write-off of revenue from investment and other ordinary activities of the enterprise	Journal 6 ag.	Revenue statement

Source:<sup>605</sup>

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<sup>605</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

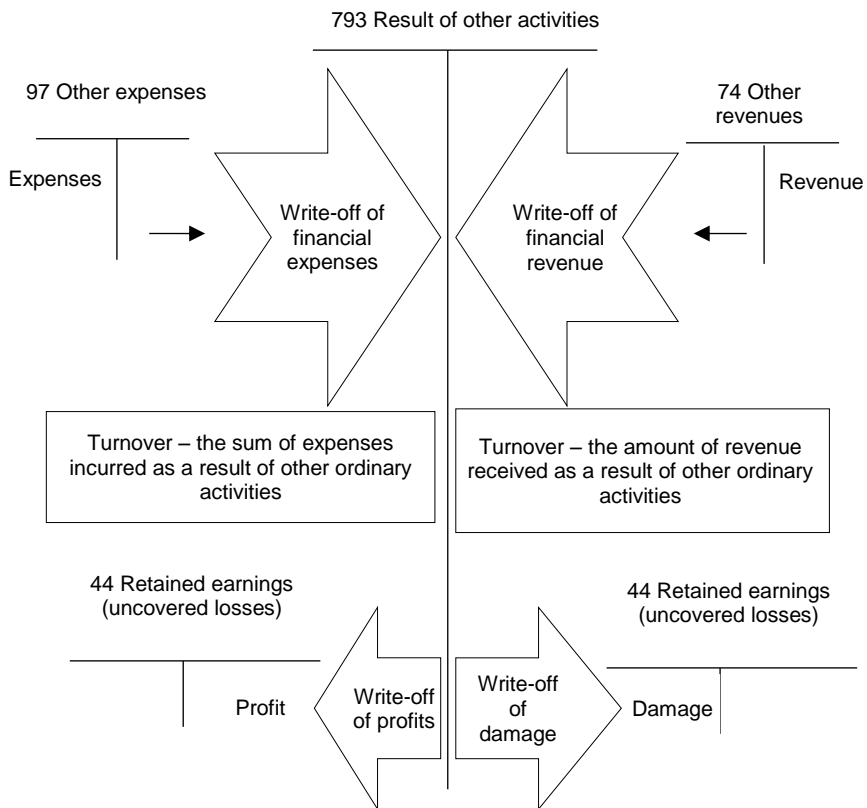


Fig. 3.26. Scheme of accounting for the results of other ordinary activities

Source: <sup>606</sup>

<sup>606</sup> Tkachenko N.M., Borovich O.V., Tsiutsyak I.L., Tsiutsyak A.L. Financial accounting 2. Tutorial. K. : Alert. 2014. 456 pp.

### **Conclusions to chapter 3**

The chapter examines the classification of expenses by type of activity, which makes it possible to cover all business transactions carried out by a business entity.

The main tasks of the organization of cost accounting, as well as objects of accounting policy are determined.

The use of primary documents to confirm the implementation of the expenses of the activity of the business entity is described.

The section discusses the principles of accrual and compliance of revenue and expenses. The classification of revenue by type of activity is investigated, which makes it possible to cover all business transactions carried out by the enterprise. The main tasks of the organization of accounting for revenue and financial results, as well as objects of accounting policy are determined. The use of primary documents to reflect sales revenue, other operating revenue, revenue from participation in capital and other financial revenue is described. The model of formation of financial results, the organization of analytical accounting for accounts in accordance with each type of revenue and financial results are considered.



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