

**Н.Є. ГЕМБАРСЬКА\****Національний університет «Львівська політехніка», м. Львів, Україна***Х.П. ДАНИЛКІВ\*\****Національний університет «Львівська політехніка», м. Львів, Україна***Х.В. ГОРБОВА\*\*\****Національний університет «Львівська політехніка», м. Львів, Україна*

## Розкриття інформації позабалансового обліку у фінансовій звітності підприємства

Інформація позабалансового обліку відіграє важливу роль в управлінні підприємством та повинна бути розкритою у звітності, адже операції, відображені на позабалансових рахунках, можуть у майбутньому спричинити зміни в складі балансових активів, пасивів, доходів, витрат і фінансових результатів діяльності. Метою статті є узагальнення теоретико-методичних основ відображення даних позабалансового обліку у фінансовій звітності підприємства і розробка рекомендацій щодо їх вдосконалення задля формування якісного інформаційного забезпечення системи управління суб'єктами господарювання. Проведений у статті критичний аналіз теорії і практики відображення об'єктів позабалансового обліку у фінансовій звітності, дав можливість визначити проблемні аспекти й окреслити напрями їх вдосконалення відповідно до інформаційних потреб зовнішніх і внутрішніх користувачів. Авторами обґрунтовано підхід до вдосконалення фінансової звітності підприємства, а саме Приміток до річної фінансової звітності, шляхом внесення розділу «Інформація про об'єкти позабалансового обліку». У такому розділі пропонується розкривати інформацію про наявність та рух об'єктів позабалансового обліку у розрізі класифікаційних груп: цінності, що не належать підприємству, але тимчасово перебувають у його користуванні, розпорядженні чи зберіганні; умовні права і зобов'язання підприємства; об'єкти операційного контролю. Рекомендовано у Примітках до річної фінансової звітності відображати дані про вартість нематеріальних, довгострокових біологічних та інших необоротних активів, які взяті в операційну оренду, а використання амортизаційних відрахувань відображати у розрізі амортизації основних засобів, нематеріальних активів, довгострокових біологічних активів, інших необоротних активів. Подані у статті рекомендації забезпечуватимуть зрозумілість і доступність інформації та сприятимуть підвищенню довіри до підприємства з боку потенційних інвесторів і партнерів.

**Ключові слова:** позабалансові рахунки, позабалансовий облік, об'єкти позабалансового обліку, фінансова звітність підприємства, інформаційна система підприємства.

DOI [https://doi.org/10.33146/2307-9878-2020-2\(88\)-12-17](https://doi.org/10.33146/2307-9878-2020-2(88)-12-17)

**N.Ye. HEMBARSKA***“Lviv Polytechnic” National University, Lviv, Ukraine***Kh.P. DANYLKIV***“Lviv Polytechnic” National University, Lviv, Ukraine***Kh.V. GORBOVA***“Lviv Polytechnic” National University, Lviv, Ukraine*

## Disclosure of Off-Balance Sheet Accounting Data in the Enterprise's Financial Statements

*Off-balance sheet accounting data plays an important role in the management of the enterprise and should be disclosed in the reporting, because the transactions recorded on off-balance sheet accounts may in the future cause*

\* Гембарська Наталія Євгеніївна, старший викладач кафедри фінансів, обліку і аналізу Національного університету «Львівська політехніка» (м. Львів), кандидат економічних наук.

\*\* Данилків Христина Петрівна, старший викладач кафедри фінансів, обліку і аналізу Національного університету «Львівська політехніка» (м. Львів), кандидат економічних наук.

\*\*\* Горбова Христина Володимирівна, доцент кафедри фінансів, обліку і аналізу Національного університету «Львівська політехніка» (м. Львів), кандидат економічних наук.

changes in the balance sheet assets, liabilities, income, expenses and financial results of the enterprise. The purpose of the article is to summarize the theoretical and methodical bases of the disclosure of off-balance sheet accounting data in the financial statements of the enterprise and to develop recommendations for their improvement to form the quality information support of the management system of business entities. The critical analysis of the theory and practice of disclosure the off-balance sheet items in the financial statements has made it possible to determine problematic aspects and outline directions for their improvement in accordance with the information needs of external and internal users. The improvement of the financial statements of the enterprise, namely Notes to the annual financial statements, was proposed by introducing the section "Information about off-balance sheet items". In this section the data about the availability and movement of off-balance sheet items will be disclose in the context of classification groups: values that not owned, but temporarily owned, operated, or stored; conditional rights and obligations of the enterprise; objects of operational control. Authors recommend disclose the value of intangible, long-term biological and other non-current assets that are leased out under operating leases in the notes to the annual financial statements. In addition, the depreciation should be disclosed in the context of depreciation of property, plant and equipment, non-current assets, non-current assets. It will ensure the clarity and accessibility of the reporting information and will help to increase the confidence of potential investors and partners to enterprise.

**Keywords:** off-balance sheet accounts, off-balance sheet accounting, off-balance sheet items, financial statements of the enterprise, enterprise's information system.

**Introduction.** The accounting process at each enterprise ends with the preparation of reports based on the consolidation of current accounting data, which provides an opportunity to calculate the business performance indicators required for management. The effectiveness of management decisions depends to a great extent on the accuracy, completeness, appropriateness and timeliness of the information presented in the financial statements. An important element of an enterprise's information system is off-balance sheet accounting, which is intended to monitor, measure and record facts of economic activity that do not affect the financial position, but which require special supervision in order to have complete information about past, present and possible future events, as well as for control of property not owned by the enterprise but used by it for business use or disposal. The issue of displaying off-balance sheet items in an entity's reporting should be considered systematically from the point of view of improving the user information support process. On this basis, it is relevant to investigate the realities of displaying off-balance sheet accounting data in the enterprise's reporting and to find possible ways to improve them.

**Literature review.** The works of Ukrainian scientists are devoted to the study of theoretical and practical aspects of accounting data on off-balance sheet accounts in the financial statements of the enterprise: V. Bachynsky, V. Zagorsky (*V. Bachynskoho, V. Zahorskoho*) [1], N. Bilynskoi (*N. Bilynskoi*) [2], Ya. Krupky (*Ya. Krupky*) [3], I. Lytvynchuk (*I. Lytvynchuk*) [4], M. Pushkaria (*M. Pushkaria*) [5], M. Shigun, V. Ivanenko (*M. Shyhun, V. Ivanenko*) [6].

Noting the value of the research results of these authors, we believe that further development requires the question of potential off-balance sheet accounting opportunities to form information support for the enterprise management process. Insufficient correspondence of the concept of off-balance sheet accounting to modern information needs of users determines the relevance of this study.

**The purpose** of the study is to summarize the theoretical and methodical bases of the disclosure of off-

balance sheet data in the financial statements of the enterprise and to develop organizational and practical recommendations for their improvement for quality information support of the management system of business entities.

The realization of the goal of the study led to the following tasks:

- to carry out a theoretical analysis of the basics of displaying off-balance sheet data in the financial statements of the enterprise;
- to critically assess the opportunities available to the information of off-balance sheet data in the financial statements of the enterprise;
- develop proposals to improve approaches to disclosure of off-balance sheet accounting information in an entity's reporting.

*The hypothesis of the study* is based on the assumption that improving the methods and organization of displaying off-balance sheet accounting enterprise will generate high-quality information space and sufficient resources to make optimal management decisions.

*Research methodology.* To achieve this goal, the authors used the following tools of methods of scientific research: induction, deduction, comparison, theoretical generalization, observation, abstract-logical, causation, description, concretization, formalization, systematization, modeling, generalization.

**Results and discussion.** National Accounting Standard 1 "General Financial Reporting Requirements" provides the definition of "financial statements" – an accounting statement that is prepared on the basis of accounting data to meet the needs of certain users. Reporting users are individuals and legal entities that need information about an enterprise's decision-making activities [7]. According to international auditing standards, the main purpose of reporting is not to formally adhere to the requirements of accounting standards, but to disclose their economic content [8].

The financial statements consist of: a balance sheet (statement of financial position), a statement of financial results (statement of comprehensive income), a statement of cash flows, a statement of equity and a note to the financial statements [7]. Notes to the financial statements

are a set of indicators and explanations that provide detail and validity of the items of financial statements, as well as other information disclosed in the relevant national accounting standards or international financial reporting standards [7].

It is obvious that the balance sheet and the statement of financial results are the main documents that form the system of indicators of the property and financial condition of the enterprise and the results of its financial and economic activities. However, the results of the business operations of the enterprise can only be evaluated provided that all the circumstances that accompany such operations are known. In this regard, the management of the enterprise should provide users with quality information. It is undeniable that reporting is the main source of information. Every business entity tries to know everything about the business life of its enterprise and directions of its development. The composition and structure of the reporting may be tailored to the needs of the enterprise, such reporting will be individual and will only be used by employees of the particular enterprise. The forms and methodology for calculating reporting indicators, developed and approved at the state level, are general and universal, and all enterprises should arrange for their preparation and submission to state bodies.

In the developed countries there are various specialized organizations, both economic and public (unions of accountants, associations, committees). These organizations systematically conduct research among the management of firms and other users of reporting to examine the need for economic indicators that allow decentralized economic decision making in a competitive market economy. The results of such studies are enshrined in legislation.

In Ukraine, financial statements are uniform for all business entities, and managers, customers, suppliers, banks, tax authorities, etc. work with it. The information provided in the financial statements should be understood and relied upon by its users, provided they have sufficient knowledge. This means that complex concepts that are necessary for decision making should not be excluded from reporting.

The financial statements should include information that influences decision-making, enables timely assessment of past, current, and future events; confirm and adjust their past rating. This is possible only if the following criteria are met when presenting information in the financial statements: materiality, timeliness, completeness, neutrality, objectivity.

The financial statements are formed on the basis of accounting data, which in turn is based on the accounting policies of the enterprise. Accounting policies are defined principles, principles, arrangements, rules and practices adopted by an entity for the preparation and presentation of financial statements, which are approved by the enterprise order. Issues of organization and off-balance sheet accounting in Ukraine are not subject to clear regulation by the state, so the company independently develops an appropriate way of generating information, which should be enshrined in the accounting policy order.

The Order of the Ministry of Finance of Ukraine "On

the Notes to the Annual Financial Reporting" specifies that the Notes may contain other information that is recognized by the management of the enterprise as material and gives a more complete and objective picture of the financial position and results of the enterprise. When preparing forms of financial statements by an enterprise, it is possible to include (print) only those items of assets, capital, liabilities, other indicators of typical forms, the data of which follow from the results of the enterprise. At the same time, for the articles (rows), graphs and reference indicators included in the financial statements of the enterprise, their numbering is kept, indicated on the standard forms of financial statements approved by the Ministry of Finance of Ukraine [9].

The notes to the annual financial statements (Form No. 5) are in the form of separate tables and consist of fifteen separate sections. Please note that there is no separate order for filling in the Notes to the Annual Financial Statements (Form No. 5). The methodological guidelines for verifying the comparability of financial statements against off-balance sheet items state only that line 1300 should be in the form No. 5 in value – the sum of lines 080 and 260, column 10, plus line 1430, column 8; and line 1310 is the sum of lines 1311, 1312, 1314-1317 [10].

In general, Form No. 5 does not display all the information generated in the off-balance sheet accounting system (Table 1).

Indicators for the use of depreciation are determined based on the cost of capital investment, accounted for in the account 15 "Capital investment", taking into account the balance on the subaccount 205 "Building materials", the cost of the equipment transferred and unassigned to the developer for construction. When filling in line 1300, it should be borne in mind that the amounts of accrued depreciation that are included in the value of products used by the enterprise itself cannot be used to reproduce tangible or intangible assets, and therefore not included in this line is inappropriate. It should also be borne in mind that the value of fixed assets transferred to the enterprise as a contribution to the authorized capital is not included in the depreciation used. Excluded from the amount of depreciation used and capital investments made through budgetary allocations and earmarked funds and contributions to the authorized (share) capital of the enterprise. When filling in the lines specifying the direction of use of depreciation, they should be reconciled with the data of sections 1 and 2 of the Notes to the Annual Financial Statements. Amounts for filling these lines can be determined in proportion to the share of each direction of using depreciation in the total investment cost for the same year, or based on the distribution specified in the accounting policy order in respect of the use of depreciation [12, p. 159-178].

The information presented in the Notes to the off-balance sheet Financial Statements does not disclose information about the value of intangible assets leased under operating lease, the value of long-term biological assets and other non-current assets leased out under operating lease. and this greatly reduces its quality and influences the decision making of users. In addition, in

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the Notes to the Annual Financial Statements, the use of depreciation is advisable to include:

- depreciation of fixed assets,

- depreciation of intangible assets,
- depreciation of long-term biological assets,
- depreciation of other non-current assets.

Table 1

### Off-balance sheet information as shown in the Notes to the Annual Financial Statements (Form No. 5)

The code and title of the report line or section	Content of information
Line 267 “The cost of property, plant and equipment leased out”	Off-balance sheet account data 01 “Non-current assets leased out”
Line 925 “Responsible assets (off balance sheet 02)”	Amount of assets in custody held in off-balance sheet account 02 “Responsible assets”
Lines 082 “Cost of pledged intangible assets”, 260 “Cost of pledged fixed assets”, 923 “The carrying amount of pledged inventories”	Off-balance sheet account data 05 “Guarantees and Assurances of Provision”
Line 951 “Written off in the reporting year of bad receivables”	Debit account turnover 38 “Contingent Debt Reserve” and Loan Accounts 36 and 37. If a doubtful debt reserve is not created, then the bad debt is written off by the debit subaccount 949 “Other operating expenses” in correspondence with credit of accounts 36 and 37. Data on written off receivables are recorded on off-balance sheet account 071 “Accounts receivable written off”.
Line 980 “The amount of shortages and losses, the final decision on the culprits for which at the end of the year was not made (off-balance sheet account 072)”	Off-balance sheet account data 072 “Undamaged deficits and losses from damage to values”
Section XIII “Using Depreciation”	Designed to collate data on depreciation on non-current assets and spend amounts within these accruals on their acquisition or creation. Depreciation for the year is taken from lines 260 and 080 of the Notes to the Annual Financial Statements.

Source: generalized by authors based on [9, 11].

Such detailing will allow the comparison of accruals and utilization for each group of objects and will allow to determine the priority directions of reproduction of fixed assets at the enterprise in the reporting year.

According to our study, which is based on the systematic and comprehensive presentation of off-balance sheet information, it is advisable to separate in the financial statements the information about:

- the presence and movement of values that do not belong to the enterprise, but are temporarily in its use, disposal or storage (leased non-current assets, tangible assets in responsible storage, processing, commissions, installation, principal);

- the presence and movement of values that do not belong to the enterprise, but are temporarily in its use, disposal or storage (leased non-current assets, tangible assets in responsible storage, processing, commissions, installation, principal);

- objects of operational control (lack of values in the case of unidentified culprits, written off balance sheet receivables, written off assets in use, forms of strict accounting and reporting, depreciation and amortization).

To this end, we propose a separate section “Information about off-balance sheet items” in the Notes to the Annual Financial Statements systematize the disclosure of the status and movement of off-balance sheet items. The information value of such information is reflected in Fig. 1.

Therefore, proposals to improve the disclosure of off-balance sheet accounting information in an entity's

financial statements will help generate generalized accounting information about the existence and movement of values that do not belong to the entity but are temporarily in its use, disposal or custody, contingent rights and obligations and controls that will ensure the readability and high informativeness of the reporting in order to increase the confidence of potential investors and partners.

**Conclusions.** The purpose of an enterprise accounting process is to formulate financial statements to provide internal and external users with the necessary information to make decisions. Decision-making effectiveness is affected by the completeness of the information presented in the financial statements, including the disclosure of off-balance sheet items. Analysis of the basics of off-balance sheet accounting data in an entity's financial statements made it possible to conclude that there is no systematic approach to generalizing accounting and analytical information about the presence and movement of values that do not belong to the enterprise, but are temporarily in its use, disposal or storage, conditional rights and obligations connections and objects of operational control. In order to increase the level of reliability and informativeness of the financial statements of the enterprise according to the results of the research, it is proposed to insert in the Notes to the annual financial statements (Form No. 5) the section “Information about off-balance sheet objects” three classification groups: 1) values that are not owned by the enterprise but are temporarily in its use, disposal or storage; 2) conditional

rights and obligations of the enterprise; 3) objects of operational control. This section will contain information about the presence and movement of off-balance sheet items, including balances at the beginning of the reporting year, receipts, disposals, and balances at the end of the reporting year. It is recommended to disclose in the Notes to the annual financial statements data on the value of intangible assets leased out, the value of long-term biological assets and other non-current assets that are leased, and the use of depreciation and amortization,

long-term biological assets, other non-current assets. The appropriateness of such decisions stems from the need to possess this information when conducting an analysis of the effectiveness of all the property used by the enterprise for conducting business activities, and not only that which is in its property; taking into account potential opportunities or negative aspects through the existence of contingent rights and obligations, changes in operational controls that may have a significant impact on the asset's balance sheet performance in the future.

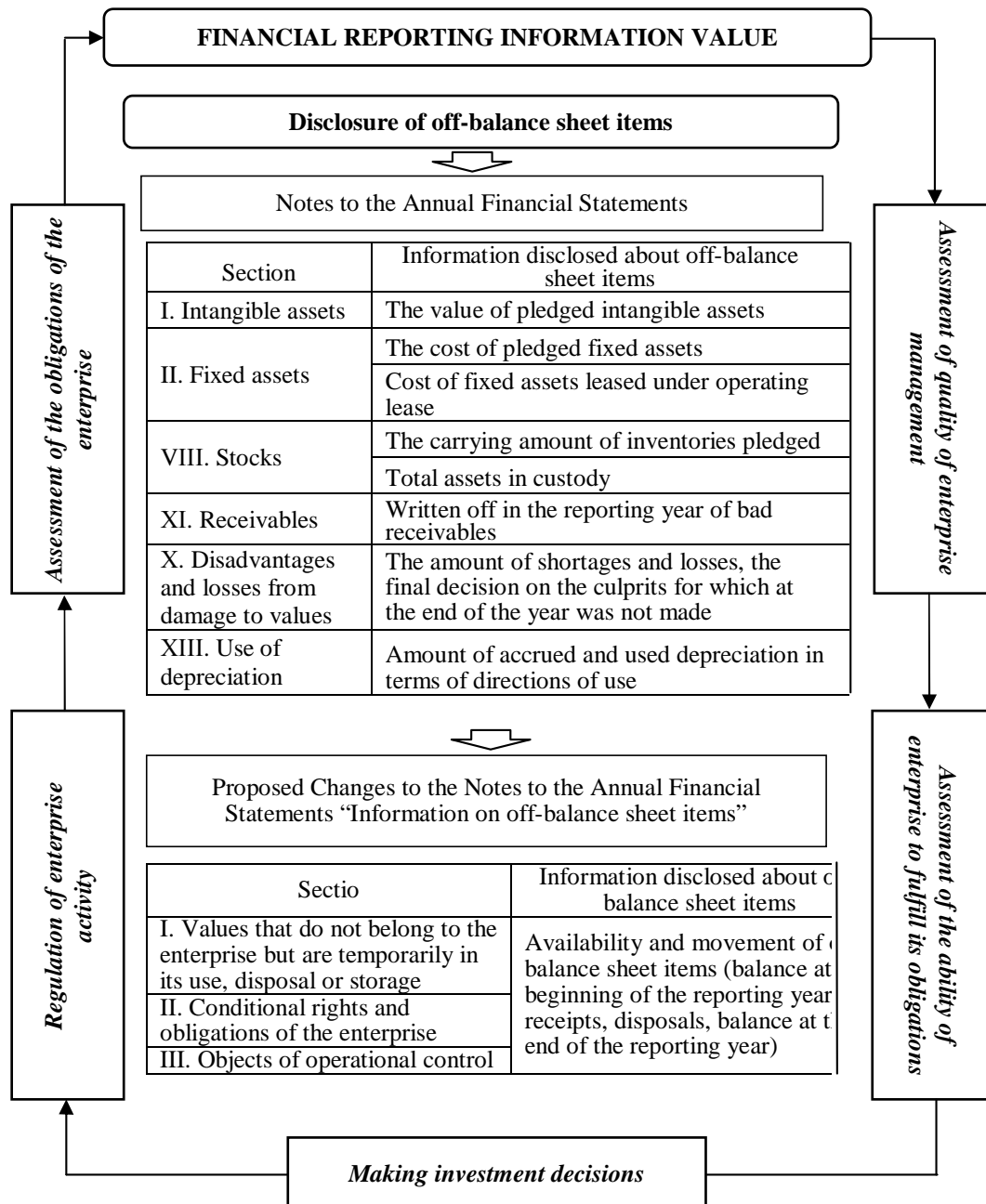


Figure 1. The informative value of financial statements for off-balance sheet items

Source: developed by the authors.

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