

**FINANCIAL RESULTS MANAGEMENT METHODS BASED ON THE APPLICATION OF DIFFERENT AMORTIZATIONS' METHODS****Shmygol N.M., Khakimova Kh.R., Makiienko Yu.V., \*Shmygol Ye.I.***Zaporizhzhia National University  
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**Key words:**

income, expenses, methods of depreciation calculation, depreciation policy, financial result, property, plant and equipment.

The result of the business operations of each enterprise is profit or loss, which is the financial result of the enterprise. The profit of a commercial bank is an internal source of its development, and its size depends directly on the level of organization of financial management, which is based on a qualified assessment of the degree of risk in conducting individual banking operations. Therefore, effective management of profits directly depends on the efficiency of the bank, protection of capital from "erosion", reduction of losses in the process of its activities. Depreciation policy is part of the accounting policy of the company. This process is a reflection on the micro-level of the state-selected enterprise at the macro-level depreciation policy. The right choice for the company depreciation policy is the key to its effective functioning, ensuring competitive advantages, optimal taxation and timely recovery of fixed assets. If used properly, depreciation could become the basis for scientific and technological development.

The article pays considerable attention to income and expenses as it generates a financial result. According to the Law of Ukraine "On Rules of Accounting for Income and Expenses at the Bank", the terms "income" and "expenses" are defined; also a classification of income and expenses in accounting and management for effective management and control.

The article also examines the theoretical and practical aspects of the impact of income, expenses and methods of depreciation and the use of depreciation on the financial condition of the enterprise. In addition, this article sets out the results and research on developing a universal approach to the process of selecting a depreciation method that would improve the effectiveness of the depreciation policy and increase the financial result.

**МЕТОДИ УПРАВЛІННЯ ФІНАНСОВИМИ РЕЗУЛЬТАТАМИ НА ОСНОВІ ЗАСТОСУВАННЯ РІЗНИХ МЕТОДІВ НАРАХУВАННЯ АМОРТИЗАЦІЇ****Шмиголь Н.М., Хакімова Х.Р., Макієнко Ю.В., \*Шмиголь Є.І.***Запорізький національний університет  
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доходи, витрати, методи нарахування амортизації, амортизаційна політика, фінансовий результат, майно, машини та обладнання.

Результатом господарських операцій кожного підприємства є прибуток чи збиток, який є фінансовим результатом діяльності підприємства. Прибуток комерційного банку є внутрішнім джерелом розвитку, а його розмір безпосередньо залежить від рівня організації управління фінансами, який ґрунтується на кваліфікованій оцінці ступеня ризику при проведенні окремих банківських операцій. Тому ефективне управління прибутком безпосередньо залежить від ефективності банку, захисту капіталу від "ерозії", зменшення збитків у процесі його діяльності. Амортизаційна політика є частиною облікової політики компанії. Цей процес є відображенням на мікрорівні обраного державою підприємства в рамках політики амортизації на макрорівні. Правильний вибір амортизаційної політики компанії є запорукою її ефективного функціонування, забезпечення конкурентних переваг, оптимального оподаткування та своєчасного відновлення основних фондів. При правильному використанні амортизація може стати основою науково-технічного розвитку.

У статті приділено значну увагу доходам і витратам, оскільки вони формують фінансовий результат, а також їх класифікації. Відповідно до

Закону України "Про правила обліку доходів і витрат у банку" визначено поняття "доходи" та "витрати", також класифіковано доходи і витрати за бухгалтерським та управлінським обліком для ефективного управління та контролю над ними.

Крім того, викладено результати та дослідження щодо розробки універсального підходу до процесу вибору методу амортизації, який би підвищив ефективність амортизаційної політики та збільшив фінансовий результат.

### Statement of the problem

The financial condition of the enterprise is characterized by such indicators as income, expenses, profit (loss) - the difference between income and expenses, net profit - after tax. Management of financial results, namely profit, is required for the effective operation of any enterprise and for controlling the lines of business. This article discusses the methods of managing financial results based on the use of different depreciation methods. One factor in effective profit management is the reduction of losses in the course of its operations. Given that the Ukrainian industry is now characterized by a significant level of depreciation of fixed assets, the problem of choosing the type of depreciation policy is important and urgent. The availability of alternative depreciation methods allowed by the state gives the enterprise the right to choose. Decisions about such alternatives are enshrined in the enterprise's depreciation policy. Depreciation policy is part of the accounting policy of the company. This process is a reflection on the micro-level of the state-selected enterprise within the macro-level depreciation policy. Correct choice of depreciation policy of the company is the key to its effective functioning, ensuring competitive advantages, optimal taxation and timely restoration of fixed assets. The choice is made in order to most effectively form the sources of financing (reproduction) of fixed assets, to control their updating, to help maintain the volume and efficiency of investments of the enterprise. When used properly, depreciation can become the basis for scientific and technological development. Given that there are currently no specific criteria for selecting a depreciation method, this issue needs careful consideration.

### Analysis of recent studies and publications

Modern economics has significant experience in financial management bank represented at works of O. Vasyurenko [8], V.I. Grushka and OS Lyubun [10], O.D. Zarubi [11], O.Kirichenko [9] and others.

In turn, Yu.M. Pedan determines the economic strategy of an enterprise as the main factor in choosing the method of depreciation calculation [2].

The publications of the named scientists became the basis for further research on problems in the sphere of formation of financial results and optimization of income and expenses. However, the main focus of the authors is either on a separate component of management or on a certain type of banking operations, which does not always ensure the purposefulness and effectiveness of management as a whole.

In particular, the choice of methods for calculating depreciation of fixed assets, assessing the impact of its size on the financial and economic performance of the enterprise, preparation of management decisions on

timely reproduction of fixed assets at the expense of internal sources of financing, such as depreciation, still do not have a clear answer.

### Objectives of the article

The article is to examine methodically the financial result by applying various depreciation methods. In order to achieve this, it is necessary to consider the concepts of "income" and "cost" which are components that lead to a financial result; to consider the classification of income and expenses in accordance with accounting and management, to consider methods of depreciation and their impact on the financial result.

### The main material of the research

Every business operates for profit, so it is advisable to consider ways to manage the profit.

Profit management is the process of developing and making management decisions on all the basic aspects of its formation, distribution and use.

The main purpose of profit management is to maximize the well-being of the founders and participants of the bank in the current period and in the long run.

Office of profit is a complex process and management of income and expenditure, which take count participate in the formation of profit, is one of these elements.

According to national accounting standards, revenue is considered to be an increase in economic benefits during the reporting period in the form of an inflow or increase in an asset or a decrease in liabilities, which causes an increase in capital. The term "cost" according to accounting means a decrease in economic benefits in the reporting period as a result of the Bank's financial and economic operations in the form of an outflow or decrease in assets or increase in debt, which leads to a decrease in capital [5].

Classification is important for managing income and expenses. In bank financial accounting, all income and expenses are classified as income and expenses resulting from [6]:

- operating activities;
- investment activities;
- financial activities.

As a result of operating activities, the following income and expenses arise in the bank:

- interest income and expenses;
- commission income and expenses;
- result from trading operations;
- other operating income and expenses;
- the cost of forming reserves to cover losses;
- income tax.

In turn, interest income and expenses include: interest on deposits with other banks; expenses on deposits attracted; interest on loans and deposits; the cost of loans and deposits received; income and expenses on other financial instruments, including securities.

The fee and commission income includes income from operations in connection with the maintenance of accounts and cash services, with foreign currency and banking metals, from other services provided or received, or expenses related to those operations.

Trading income is the result of trading in securities, foreign currency, and other financial instruments carried out at the bank's initiative, rather than client orders.

Other operating income and expenses are operating lease income (expenses); expenses for audit services; the cost of collection; penalties received (paid) for banking operations, other.

Income tax is the bank's operating expenses related to tax.

Revenues and expenses recognized by the bank are grouped according to the corresponding items in the financial statement "Statement of financial results" [8].

Cost management in management accounting is equally important for profit management. It is carried out on the principle of "different costs for different purposes", which means that, depending on the objectives chosen, the bank's management chooses adequate approaches to the classification of costs [7].

Depending on the nature of the connection with a particular object - product, the unit costs are divided into lines that can be directly attributed to the cost object economically feasible. Indirect costs, respectively, are costs that cannot be directly attributed to an item in a cost-effective way.

Management decisions need to distinguish between relevant and non-relevant costs. Relevant costs can be modified by decision-making, and not relevant costs are independent of decision-making. The costs that make the difference between alternative solutions are called differential costs.

To control the activities of individual units, distinguish between controlled costs that the manager can directly control or influence, and uncontrolled costs - these are costs that the manager cannot influence.

An important issue in the area of cost management of the bank is to take into account the behaviour of costs, i.e., their response to changes in the activities of the bank. The activity that affects costs is called a cost

factor. Understanding the relationship between costs and certain factors is important as it allows us to predict future relevant costs.

Therefore, allocate variable costs that change in direct proportion to changes in activity or other cost factor; fixed costs - costs that remain unchanged when the volume of activity changes; semi-variable costs are expenses that include elements of variable and fixed costs, such as telephone charges-fixed costs, long-distance calls-variable costs; for example, the costs (stepped) change stepwise when the volume of activity changes. When studying cost behaviour, consider the relevant range and the impact on cost behaviour of the relevant factors.

The depreciation policy chosen by the company significantly affects its financial result. Accrued depreciation in accounting relates to a decrease in the financial result. Due to him, choice of depreciation has an effect on the rate of financial results (higher share of depreciation in the total amount of the costs, so more is this influence).

In turn, the annual quantities of depreciation affect the chosen method of depreciation.

The main factor in the choice of depreciation method is the economic strategy of the company, considered by Yu.M. Pedan [2]. Within this strategy, the choice of depreciation methods can be realized in accordance with the goals adopted by the management of the enterprise in determining profit. Ways to implement [2] depreciation methods have been shown in Table 1.

The application of approach 2 is practiced to create a favourable picture of the enterprise's activities for external users (high profits, large inventory and own funds) [2].

The approach number 3 is designed to zoom depreciation and reduce the income that is subject to allocation to support the conservation of the physical capital company. This approach can be applied in the presence of management expectations that the founders will distribute net income, without taking into account the needs of the entity to replace the fixed assets.

Traditionally, only one model under number 1 is considered in determining the purpose of depreciation, because in the general case it is important for an enterprise to have a scientifically sound depreciation policy that maximizes the amount of net profit plus depreciation deductions [2].

Table 1 – Groups of depreciation methods

| The name of the method  | Essence   | Disadvantages   |
|---|---|---|
| 1. Achieving being maximum value of net profit plus depreciation (NP + A → max ). | In this case, the aggregate of own sources for reproduction of fixed assets will be maximum. This choice assumes that depreciation is a source of balance sheet asset formation, along with other entity own funds, and can be used for appropriate purposes. In this case, the improvement of this indicator is possible by improving the indicators in the formula:<br>NP = PV - A,<br>where GP is gross profit excluding the impact of depreciation; D - depreciation. | An increase in depreciation reduces the financial result, and the expression "NP minus D" would not change if the amount of depreciation had no effect on the taxation of the enterprise. |

Continue of the Table 1

|   |  |   |
|---|--|---|
| 2. Achieving being maximum value of profits                 | The approach involves minimizing the depreciation of calculated the accounting (which reduces costs, improves financial performance).  | The disadvantages include not a fairly objective picture of the financial position of the company, the lack of timely reproduction of fixed assets due to depreciation, as their value will be insufficient.          |
| 3. Achieve a minimum profit margin and maximum depreciation | This approach is intended to increase depreciation and reduce the profit to be distributed in order to maintain and preserve the physical capital of the enterprise. It can be applied in the presence of management expectations that the founders will distribute net income, without taking into account the needs of the enterprise to replace the fixed assets. | The current economic performance of the enterprise is deteriorating. However, the approach allows to leave funds in circulation of the enterprise, which with the right decisions of management is a positive moment. |

The choice of depreciation method for a group of property, plant and equipment depends on the degree of their compliance above will give them the goals of generating financial results and preparation of financial statements of the organization. However, this is not the only approach to the choice of depreciation methods. When organizing any business event or investment project, its effectiveness is analysed.

Efficiency is calculated by comparing the time (discounted) annual cash income and expense. If we talk about estimating the annual result only from operating activities, not taking into account investment and financial, then the effect in this case can be estimated by the indicator of net cash income, which is calculated as follows:

$$NCI = \left(1 - \frac{T}{100}\right) \times (R - C) + D \tag{1}$$

where NCI– net cash income from operating activities in year t, monetary units;

T– the average amount of tax deductions at the expense of profit,%;

R– proceeds from the sale of finished goods in year t, monetary units;

C – cost of production in year t, monetary units;

D - depreciation in year t, monetary units

As you can see, the result of the assessment of the effect of the production activity of the enterprise largely depends on the monetary assessment of depreciation, the

chosen method of accrual of depreciation of fixed assets, intangible assets, low value and wearables.

In order to maximize (minimize) the profits of an enterprise when choosing the method of depreciation, one can also take into account the principle of income and expense, which is actively used abroad.

Consider the impact of depreciation methods on the amount of its annual amount in Table 2. Based on Table 2, we can calculate the annual percentage of depreciation when applying each of the methods. The results of this calculation will be formalized in the form of table 3.

Table 3 shows that the highest percentage of depreciation for the first year we pay, choosing the method of reducing residual value - 48%. If an enterprise is experiencing a crisis in the current period that it can overcome in the future, it is best to choose a method of reducing residual value. Thus, in the current accounting period, the enterprise will reduce its income by the amount of depreciation, so the amount of income, which will be taxed, will also decrease and as a result the profit of the enterprise will increase. The disadvantage of this method is that when choosing the method of reducing cost, in the last year of operation of the object, the percentage of depreciation will be the lowest - 4%. Therefore, using this method, the company should expect to grow its activities and maximize its profits in the future.

Table 2 - Impact of methods of depreciation of fixed assets on the amount of annual depreciation, UAH

| № | The name of the depreciation method     | Depreciation amount by years, UAH |       |       |       |       |       |
|---|---|-----------------------------------|-------|-------|-------|-------|-------|
|   |   | 1                                 | 2     | 3     | 4     | 5     | Σ     |
| 1 | Rectilinear                             | 12000                             | 12000 | 12000 | 12000 | 12000 | 60000 |
| 2 | Decrease in residual value              | 28728                             | 15628 | 8502  | 4625  | 2517  | 60000 |
| 3 | Accelerated reduction in residual value | 24000                             | 14400 | 8640  | 5184  | 7776  | 60000 |
| 4 | Cumulative                              | 20000                             | 16000 | 12000 | 8000  | 4000  | 60000 |
| 5 | Industrial                              | 10000                             | 15000 | 15000 | 12000 | 8000  | 60000 |

Table 3 - Impact of methods of depreciation of fixed assets on the annual percentage of depreciation, %

| № | The name of the depreciation method     | The percentage of depreciation,% |    |    |    |    |      |
|---|---|----------------------------------|----|----|----|----|------|
|   |   | 1                                | 2  | 3  | 4  | 5  | Σ    |
| 1 | Rectilinear                             | 20                               | 20 | 20 | 20 | 20 | 100% |
| 2 | Decrease in residual value              | 48                               | 26 | 14 | 8  | 4  | 100% |
| 3 | Accelerated reduction in residual value | 40                               | 24 | 14 | 9  | 13 | 100% |
| 4 | Cumulative                              | 33                               | 27 | 20 | 13 | 7  | 100% |
| 5 | Industrial                              | 17                               | 25 | 25 | 20 | 13 | 100% |

If the enterprise is characterized by stability, availability of sufficient reserves to cover unforeseen losses, and to combat contingencies, if the enterprise does not want to overload either the current or future period, then it should choose a straight-line method of depreciation and pay 20% each year. In cases where it is impossible to predict with a sufficient degree of certainty the dynamics of future income, the method of calculating depreciation can be chosen based on the simplicity of calculations, the peculiarities of the specific situation and the strategy of the enterprise [4].

Based on the generalization of the opinions of domestic and foreign analysts, it is possible to formulate certain recommendations in accordance with which methods of depreciation should be preferred in the implementation of a particular investment project [4], namely:

1. Projects that identify the replacement of obsolete equipment as a natural process of continuing an existing business on an ongoing scale. For such projects, it is advisable to take as a basis the method of depreciation, which will allow a quick replacement of equipment: if the company is working in the field of high rates of scientific and technological progress, then the methods of regressive depreciation should be chosen; if the company is working in a field with low rates of scientific and technological progress, then the straightforward method.
2. Projects that involve the replacement of equipment in order to reduce operating costs. The purpose of such projects is to use more sophisticated equipment instead of traditional, relatively less efficient, morally obsolete. For such projects, it is preferable to use

regressive depreciation methods (for example, cumulative or residual cost method).

3. Projects that envisage increased output and / or expansion of the services market. The most cost-effective analysis of the project is to determine whether the increase in sales will result in a corresponding increase in profits. In this case, the use of regressive depreciation methods would be more appropriate.

4. Projects that envisage expansion of the enterprise in order to launch new products. This type of project usually involves significant investment in equipment. Equipment for the production of products under projects of this type should be the most modern, have a high degree of scientific intensity, so it is recommended to use regressive methods of calculation of depreciation.

### Conclusions

The influence of factors such as income, expenses, profit (loss), and methods of depreciation on the financial result of the enterprise is determined in the research process.

Three approaches to determining the most effective method have been considered. Having read all these approaches, it is still impossible to formulate one single criterion for the choice of depreciation.

At present, there are no clear recommendations on how to choose the method of depreciation that would be best for businesses of various legal forms, fixed assets and methods of using them. The method chosen by the company should help accelerate the upgrade of fixed assets, determine the real value of profit, and better take into account all the factors associated with the operation of the fixed asset.

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