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REVENUE AND EXPENSES ACCOUNTING IN ENTERPRISE'S MANAGEMENT

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ОБЛІК ФІНАНСОВИХ РЕЗУЛЬТАТІВ У СИСТЕМІ УПРАВЛІННЯ ПІДПРИЄМСТВОМ

The role, characteristics and essence of revenue and expenses, income as a part of the enterprise's management system were defined. It was considered that according to IAS an income is a gross inflow of economic benefits emerging from the ordinary activity of an enterprise during a period when own capital increases as a result of income but not as a result of the contributions of the participants. An income is divided into two types: ordinary and extraordinary.

It was emphasized that indexes of revenue and expenses describe the absolute efficiency of enterprise management in all areas of its activity: production, marketing, supply, finance and investment. These indicators also of economic development of enterprise and strengthen its financial relationships with all parties to a commercial case.

It was found that the current financial and operative work of enterprise is aimed at practical implementation of financial support of entrepreneurial activity maintaining a constant solvency properly.

Визначено роль та особливості процесу формування фінансових результатів як елементу загальної системи управління підприємством. Розглянуто, що згідно з МСБО, дохід означає валове надходження економічних вигід протягом періоду, який виникає в ході звичайної діяльності суб'єкта господарювання, коли власний капітал зростає в результаті цього надходження, а не в результаті внесків учасників власного капіталу. Визначено, що за видами доходи поділяються на: звичайні та надзвичайні.

Підкреслено, що показники фінансових результатів характеризують абсолютну ефективність господарювання підприємства в усіх напрямках його діяльності: виробничої, збутової, постачальницької, фінансової та інвестиційної. Вони складають основу економічного розвитку підприємства та зміцнення його фінансових відносин з усіма учасниками комерційної справи.

Виявлено, що поточна та оперативна фінансова робота на підприємстві спрямовується на практичне втілення фінансового забезпечення підприємницької діяльності, постійне підтримування платоспроможності на належному рівні.

Key words: income, financial state, expenses, revenue and expenses, business, accounting, activity, analysis.

Ключові слова: доходи, фінансовий стан, витрати, фінансові результати, підприємство, облік, діяльність, аналіз.

PROBLEM FORMULATING

For improving its financial state each enterprise is trying to get the most returns. Revenue and positive financial performance is among the most

important economic issues during the transition to a market economy. A crisis financial situation could lead to a lack of important financial and the effective source — profit and thus to a lack of funds

to develop production, insolvency and ultimately to bankruptcy. The study is relevant due to the fact that the stability of the any state's economy is impossible without the financial stability of enterprises operating in it. One of the factors affecting the financial condition and results is enterprises' income. The revenue increases the equity of the enterprise, as well as the positive financial result (profit), so the enterprise obtains an additional source of production, and that ultimately leads to improved financial condition.

**ANALYSIS OF RECENT
RESEARCH AND PUBLICATIONS
AND DEFINITION UNSOLVED ASPECTS
OF THE PROBLEM**

An important contribution to the development of theoretical and methodological principles of assessing the financial state of enterprises made such economists as: A.O. Bosak, F.F. Butynets, A.A. Maslak, V.V. Sopko, S.O. Levytska, T.O. Lozenko and others. The assessing the financial state of enterprises was considered in the works of such foreign scientists and practices as: M.I. Bakanova, I.T. Balabanova, V.M. Garashchenko, O.M. Korobko, V.A. Kulik, G.M. Kurilo, Y.V. Lebedzevych, T.M. Lichter, L.P. Nishenko, L.V. Chizhevskaya, V.A. Yudenko and others. But important issues of management accounting of income and revenue and expenses in the current conditions for businesses remain unsolved.

**THE DEFINITION
OF UNSOLVED ASPECTS
OF THE PROBLEM**

Today every enterprise improves its financial situation by trying to get the highest return. Therefore, obtaining positive results and revenues can meet the difficult financial situation that could cause the reduction of enterprise's most important financial indicator — the volume of income that will lead to insolvency and bankruptcy of the enterprise.

The purpose of the article is studying the theoretical basis and economic nature of the management of income and revenue and expenses.

MAIN RESEARCH

According to International Standards of Accounting the term "income" means a gross inflow of economic benefits emerging from the ordinary activity of an enterprise during a period when own capital increases as a result of income but not as a result of the contributions of the participants [4]. If such inflow increases own capital, not taking to the account the contributions

of shareholders, it is called "profit", if not — then it's called "loss".

The conceptual definition of gross income means an increasing of economic benefits during the accounting period in the form of revenues (increase) decrease in assets or liabilities, which leads to an increase in equity (excluding owner's deposits).

For determining the moment of income recognition it is needed to know the economic content of economic operation, which was resulted by income receiving. Due to consideration of the principle of prevalence of substance over form dates of sales (revenue) can be recognised in the date of shipment and before or after it.

According to international practice the income divided due to enterprise's activities to:

— ordinary — from the current main activity, which is defined by the charter, or other activities, investing or financing activities (dividends, interest, etc.);

— extraordinary — from extraordinary activities (events), fines and penalties due to fire, flood, etc.

"Normal activity" means any of the company's activity. Such activities include: the production and sale of products, payments to suppliers, customers, employees, banks, tax authorities and others.

Normal activity of enterprise and its accompanying operations includes: cancellation of devalued stocks, exchange differences, economic penalties for contracts or for violation of tax legislation.

Normal activities are divided into operating and non-operating activities (financial and investment, other).

Operating activities are the main statutory activity of the enterprise and other activities that are non-investing or financing activities.

Main operating activities are activities (operations) related to the production or sale of products (goods and services), which are crucial to the reason of enterprise creation and provides the bulk of its income. For commercial enterprises main operating activities are the acquisitions of goods for manufacturing companies: purchase of raw materials, manufacturing products and sales, for investment enterprises — forming the investments portfolio, etc.

The investment activity is the acquisition and sale of fixed assets and financial investments that are not part of a cash equivalent.

Financial activity is determined as activity, leading to changes in the size and composition of own and borrowed capital of the enterprise.

For accounting of income from such activities it is usually necessary to open the following accounts:

- income from capital;
- other financial income (profits);
- other income.

Extraordinary events include operations such as natural disasters, fires, technological accidents and etc. The process of covering the harm by insurance compensation and other sources are taken into account as the revenue and expenses from extraordinary events, as income.

The financial state of the enterprise is a complex concept, result of the interaction of all system elements of the enterprise's financial relations, determined by a combination of industrial and economic factors and is characterized by a system of indicators that reflect the presence, location and use of financial resources.

The financial condition of the company depends on the results of its industrial, commercial, financial and economic activities. Financial analysis carried out in the following areas:

- a) analysis and evaluation of the composition and dynamics of the property;
- b) analysis of enterprise financial stability;
- c) analysis of balance sheet liquidity;
- g) analysis and rating estimation of the company.

The financial result of the company is reflected in the change in the value of its capital for the period. The ability of enterprise to ensure steady growth of equity can be defined as system of indicators of financial performance. The overview of the most important indicators of the enterprise's financial performance is represented in the sheet number 2 of annual and quarterly financial statements.

This sheet includes info about: sales income (loss); financial and economic activities' income (loss); income (loss) of the reporting period; profit (loss) of the period. According to the info in sheet number 2 it can be calculated the following indicators of revenue and expenses: income (loss) from financial and other transactions; the sum of profit after income tax and other obligatory payments (net profit); gross revenue from the sale of goods, products and services. In the sheet number 2 there is also comparative data for all these indicators from last year.

Indicators of revenue and expenses (profits) describe the absolute efficiency of enterprise management in all areas of its activities: production, marketing, supply, finance and investment. These indicators also form the basis of economic development of the company and strengthen its

financial relationships with all parties to a commercial case.

However, various users of financial statements are interested only in certain part of revenue and expenses. For example, enterprise administration is interested in volume of profits and its structure, factors influencing its size [3, p.147]. Tax inspections are interested in getting reliable information about all the elements of tax base for income tax. Potential investors are interested in the quality of earnings, the stability and reliability of a profit in foreseeable future, and the rationale for selecting investment strategies aimed at minimizing losses and financial risks of investments in the assets.

The main objectives of the analysis of revenue and expenses are:

- analysis and assessment of the level and dynamics of earnings;
- factor analysis of income from the sale of goods (works, services);
- analysis of revenue and expenses from other sales, non-operating and financial activities;
- analysis and evaluation of the use of net profit;
- analysis of the costs, output (sales) and profits;
- analysis of profit's growth reserves through optimization of sales and costs of production or circulation.

The current financial and operative work of the company is aimed to the practical implementation of financial support of entrepreneurial activity, maintaining a constant solvency.

Accounting of revenue and expenses — profit and loss — is recording using the account "Financial results". This account collected net income and expenses of enterprise which are grouped into analytical accounts according to the nature of the activities.

Revenue and expenses reflect the purpose of business activities, and they are critical for the enterprise. Such info is important to its management, staff, interested depositors capital (shareholders), creditors, government agencies, tax service, stock exchanges and others.

The size and nature of the income (loss) for each period of the enterprise is the most important final indicator of its activity.

The determination of financial result means the establishing net profit (loss) of the reporting period. For this purpose the accountants compare expected income and expenses.

The final financial result for the whole enterprise is defined as the difference between different types of profit, which accounted to "credit", and

costs, accounted to "debit" of "Revenue and expenses" account [1, p. 9].

The final stage of the cycle of finance companies is the determination of the financial result of all activities. The information on the sales income of the enterprise generalized in 7th Class. Account no 701 "Finished products sales' revenue" is used to reflect income from the sale of finished products. To account the work performed and services rendered account number 703 "Revenue from the sale of works and services" is used. In the case of returning products or discounts applicable to customers it is used account number 704. Granted discounts or the returned products amount on the debit and credit is for cancellation debit turns to account number 79 "Revenue and expenses". On the debit of account number 79 "Revenue and expenses" are reflected the cost of sales of finished products and profits or losses.

Accounting for revenue and expenses in Ukraine is carried out in two directions: accounting and income taxes; accounting cost of the finished product. These two areas combined subaccount 791 "Result core activities" of account 79 "Revenue and expenses".

According to current legislation enterprises pay the single tax, value added tax, other taxes and various fees that are defined by the Tax Code of Ukraine [2, p.21].

The economic concept of "added value" includes profits, wages, social security contributions and other amounts related to own production process. But as we see, the Code defined a different tax base, i.e. the entire cost of sales. In addition, the object of taxation includes excise and similar fees.

Therefore, all proceeds from the sale are displayed in the right part of the account "Revenue and expenses" and the cost of implementation of the core activities of the left side of the account. The balance of the account shows a profit or loss from operations of the enterprise.

Incomes and expenses related to the main business enterprises reflected in "Income Statement". The column "Income (proceeds) from sales of products (goods and services)" displays the total revenue (revenue) from sales of products without deduction of discounts, the return of goods sold, taxes and fees. In the "Other deductions from income" reflected granted discounts of returning products and excise or other amounts deductible from income from sales [6, s.239]. In "Value Added Tax" reflected the tax of sales amount (20%). The next is gross revenue. Financial result of the main activity is defined as the difference between gross

income and cost of sales, administrative expenses and cost of sales.

CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

The transition of Ukraine's economy to a market economy makes accounting more important as enterprise information system and as an instrument of control of economical and efficient use of all resources of the enterprise for the profit. The organization and accounting in enterprises is operating in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine". Accounting data provides reliable information about the revenue and expenses of the enterprise. It promotes the adoption of economically sound management decisions aimed at improving the efficiency of the enterprise. Specifically, the process of accounting income and revenue and expenses according to IAS allow users and most enterprises to facilitate record keeping. For enterprises such approach will facilitate and enable the reliable information about their income and expenses, and thus assess the economic benefits associated with the activities of the enterprise.

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