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INTANGIBLE ASSETS IN THE CONTEXT OF THE ACCOUNTING POLICIES OF THE INDUSTRIAL ENTERPRISE

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Масленников Е.И., Волощук Л.О., Некипелова Ю.А. Нематериальные активы в контексте облікової політики виробничого підприємства.

В статті викладено інформацію щодо особливостей обліку нематеріальних активів, які повинні відображатися в обліковій політиці виробничого підприємства в Україні.

Ключові слова: нематеріальні активи, облікова політика, амортизація, оцінка, вартість

Масленников Е.И., Волощук Л.А., Некипелова Ю.А. Нематериальные активы в контексте учетной политики производственного предприятия.

В статье изложена информация об особенностях учета нематериальных активов, которые должны отображаться в учетной политике производственного предприятия в Украине.

Ключевые слова: нематериальные активы, учетная политика, амортизация, оценка, стоимость

Maslennikov E.I., Voloschuk L.O., Nekipelova Y.A. Intangible assets in the context of the accounting policies of the industrial enterprise.

The article describes the information about the features of accounting intangible assets, which should be reflected in the accounting policy of the industrial enterprise in Ukraine.

Keywords: intangible assets, accounting policy, amortization, assessment, cost

At the present stage of development of manufacturing enterprises it is impossible to imagine such ones that do not use intangible assets in their businesses, because the existence of such assets on the balance sheet increases the market value and investment attractiveness of the firm. Therefore, great attention should be paid to accounting and control of intangible assets, features of which should be reflected in the accounting policy of the company. The existence of well-formed prescriptive documents is a necessary condition for effective management of a manufacturing enterprise. One of these documents is the accounting policy that is formed independently in the company.

Analysis of recent researches and publications

Questions about the formation of the accounting policy of fixed assets, including intangibles, are reflected in the writings of such scholars as F.F. Butynets, N.G. Vyhovska, L.O. Voloshchuk, V.P. Gonchar, O.V. Poberezhets, O.Y. Popov, M.S. Pushkar, R.L. Khomyak.

Despite the fact that the issue of intangible assets in the context of the accounting policy is fairly covered in the literature, there is no consensus regarding the information that is necessary to write in the accounting policy. So, the aim of the article is to determine the information that needs coverage in the accounting policy of intangible assets to improve their accounting.

The presentation of the main material

Formation of intangible assets' accounting policy is one of the most important stages of accounting policies at the enterprise.

In order to operate with the concept of "intangible assets" it is necessary to get its definition. In accordance with standard of accounting №8 "Intangible assets", the intangible asset is non-monetary asset that has no physical form and can be identified [6].

For effective management and control over intangible assets, in the accounting policy of intangible assets it is advisable to display the following information:

1) The current expert committee regarding intangibles;

- 2) Classification of intangible assets;
- 3) The procedure for valuation of intangible assets;
- 4) The useful life and procedure for its change;
- 5) Method of depreciation calculating;
- 6) The procedure for determining the residual value of intangible assets.

The first aspect to be highlighted in the accounting policy is the current expert committee, the composition and powers of which are approved independently by the enterprise. The recognition of intangible assets, the establishment of their useful life and the choice of depreciation calculating method

should be attributed to the duties of the current expert committee.

In Ukraine, the accounting can be carried out in accordance with national or international accounting standards. Therefore, the second aspect to be reflected in the accounting policy is a system of accounting at the enterprise, because the national and international accounting standards of accounting have significant differences for the classification of intangible assets.

At the state level the classification of intangible assets is legally regulated by the TCU [4] and the R(S)A № 8 «Intangible assets» [6] (Table 1.).

Table 1. The classification of groups of intangible assets

Group	TCU, R(S)A 8
Group 1 – The right to use natural resources	The right to use mineral resources, other environmental resources, geological and other information about the environment, etc.
Group 2 – The right to use property	The right to use the land plot, buildings, to lease the premises, etc.
Group 3 – The right to commercial designations	Rights to trademarks (marks for goods and services), commercial (proprietary) names etc., except those acquisition costs of which are recognized as royalty
Group 4 – The rights to IPOs	Rights to inventions, utility models, industrial designs, plant varieties, animal breeds, configurations (topographies) of integrated circuits, trade secrets, including know-how, protection against unfair competition etc., except those acquisition costs of which are recognized as royalty
Group 5 – Copyright and adjacent rights	Right to pieces of literature, art, music; computer programs, compile data (databases), executions, records, videos, transmissions (programs) of broadcasting organizations etc., except those acquisition costs of which are recognized as royalty
Group 6 – Other intangible assets	The right to conduct activities, use economic and other benefits etc.

The TCU and the R(S)A 8 equally interpret the classification of intangible assets, which indicates the unity of accounting and taxation on this issue.

Another aspect that should be reflected in accounting policy is the valuation of the intangible asset. The procedure for determining the value and initial measurement of intangible assets depends on the method of obtaining such asset (Table 2). So, it can be concluded that the manner of the intangible asset receipt significantly affects the display of such asset on a balance sheet.

During the useful life of the intangible asset there can be used both upward revaluation and downward re-valuation.

Terms of intangible assets revaluation at a manufacturing company are set independently; they depend on the need for such a revaluation. A necessary condition for the revaluation of intangible assets is the existence of an active market for such assets. Also keep in mind that intangible assets that are unique in the market are not subject to revaluation of.

Table 2. Definition and valuation of intangible assets [3]

Route of entry of an intangible asset	Intangible asset valuation
1	2
Acquisition of intangible assets	Are credited to the balance sheet at historical cost, which includes the purchase price, customs duty; indirect taxes that are non-refundable; other costs associated with acquiring and bringing the intangible asset to the state of suitability for its intended use.
Acquisition of intangible assets in exchange (or partial exchange) to dissimilar object	Are credited to the balance sheet using the fair value of the transferred non-monetary asset, increased (reduced) by the amount of cash or cash equivalents, which was transmitted (received) during the exchange.
Adding the intangible asset to the authorized capital	Are credited to the balance sheet using the fair value of intangible assets which is defined by the agreement of the founders (participants) of the company.
Intangible assets resulting from business combination	Are credited to the balance sheet using the fair value.
Creation of the intangible asset at the enterprise	Are credited to the balance sheet at historical cost, which includes direct labor costs, direct material costs and other costs directly related to the creation of this intangible asset and bringing it to a state of suitability for its intended use.

Revaluation of intangible assets for which an active market exists is carried out at fair value at balance sheet date. Revaluation of an individual object of intangible assets leads a revaluation of all other assets in the group the asset belongs and of the assets there is an active market for. If intangible assets have already been revalued, the next reassessment should be conducted regularly so that the residual value of such assets on the balance sheet did not materially differ from their fair value [2].

Another aspect that should be reflected in the accounting policy of industrial enterprise is the useful life of the intangible asset.

Useful life – is the period during which it is expected that the asset is available for use by the economic entity [1].

The useful lives in accounting may differ significantly from the terms in the tax accounting.

According to art. 145 § 1 there are terms of use by groups of intangible assets (Table 2).

Table 2. The useful lives in tax accounting [4]

Group	Terms of Use
Terms of use of natural resources	According to title document
The right to use property	According to title document
Rights to commercial designations	According to title document
Rights to IPOs	According to title document, but not less than 5 years
Copyright and adjacent rights	According to title document, but not less than 2 years
Other intangible assets	According to title document

In accordance with TCU, the following things influence determining the useful life of intangible assets:

- moral depreciation of intangible assets;
- useful lives of such assets;
- restrictions that are applied to the useful life;
- way to use an intangible asset that is envisaged in the reporting period;
- dependence of the useful life of an intangible asset on the useful life of other assets of industrial company.

The useful life term is reviewed by the enterprise at the end of each reporting year, if in the next year changes in useful life of intangible assets or changes in the conditions for obtaining future economic benefits are expected [6].

The most important aspect, information about which is displayed in accounting policy, is the definition of depreciation of intangible assets calculating method.

The method of intangible assets depreciation calculating, if they are measured at historical cost, is elected by the enterprise independently, considering the expected economic benefits from its use, in accordance with the methodology defined R(S)A 7 «Fixed Assets» [5] Table 3:

- straightforward method – assumes that the annual depreciation is determined by dividing the value which is amortized to the useful life of the intangible asset;
- method the residual value reducing – suggests that the annual amount of depreciation is calculated by multiplying the residual value of the property at the beginning of the period or the initial value at the date of commencement of depreciation calculating and the annual depreciation;
- method of the residual value rapid reduction – suggests that the annual amount of depreciation is calculated by multiplying the residual value of the

property at the beginning of the period or the initial value at the date of commencement of depreciation calculating and annual depreciation, which is calculated based on the useful life of the object and is doubled;

- cumulative method – assumes that the annual depreciation is calculated by multiplying the cost that is amortized, and the cumulative ratio. Cumulative ratio is calculated by dividing the number of years remaining until the end of intangible assets useful life to the number of years of its useful life;
- production method – assumes that the monthly amortization amount is calculated by multiplying the actual monthly amount of goods (works, services) and production rates of depreciation. The production rate of depreciation is calculated by dividing the value which is amortized to the total volume of goods (works, services), which the company expects to produce (perform) with the use of intangible assets.

From the table 3 we can get the conclusion that the chosen depreciation method substantially affects the depreciation of intangible assets. The most common method is the straightforward method of depreciation calculating.

The straightforward method is used if the definition of economic benefits from the use the intangible asset is not possible. Intangible assets for which there is no useful life, during which an economic benefit from their use is expected to be gained, are not subject to amortization [2].

An important aspect in accounting of intangible assets, which requires reflection in accounting policy is the residual value.

According to the R(S)A 8, residual value of intangible assets is equal to zero when calculating the depreciable value. But, if there is non-cancelable obligation of another person to acquire this object at the end of the period of its useful life, residual value is not equal to zero.

Table 3. Methods of intangible assets depreciation calculating

Method	Date that starts calculation	Calculation	Conventional signs
Straightforward	The month following the month in which the intangible asset started to be exploited	$A_p = \frac{B_a}{T}$ $A_m = \frac{A_p}{12}$	A _p – annual depreciation; B _a – amortized value; T – useful life; A _m – monthly depreciation; B ₃ – residual value of the object at the beginning of the period or the initial value at the date of commencement of depreciation calculating;
Residual value reducing	The month following the month in which the intangible asset started to be exploited	$A_p = B_3 * Ha_p;$ $Ha_p = \left(1 - \sqrt[\tau]{\frac{B_n}{B_n}}\right) * 100\%;$ $A_m = \frac{A_p}{12}$	Ha _p – annual depreciation rate; B _n – liquidation value; B _n – initial cost;
The residual value rapid reduction	The month following the month in which the intangible asset started to be exploited	$A_p = B_3 * Ha_p;$ $Ha_p = \frac{100\%}{T} * 2;$ $A_m = \frac{A_p}{12}$	κ – cumulative ratio; τ – number of years remaining until the end of useful life; Q _ф – actual monthly volume of goods (works, services); C _{т.а} – the production rate of depreciation;
Cumulative	The month following the month in which the intangible asset started to be exploited	$A_p = B_3 * \kappa;$ $\kappa = \frac{\tau}{(\tau+1)*T/\tau};$ $A_m = \frac{A_p}{12}$	$\sum Q$ – the total volume of goods (works, services), which the company expects to produce (perform) using the intangible asset
Production	From the date following the date when intangible asset object started to be exploited	$A_m = Q_{\phi} * C_{т.а};$ $C_{т.а} = \frac{B_a}{\sum Q}$	

If at the end of useful life the intangible asset an active market will exist, the liquidation value is determined basing on current active market.

These aspects reflect the best information about intangibles in the context of the accounting policy.

Conclusions

In summary, we can conclude that the effective management of intangible assets at the enterprise needs clearly stated accounting policy.

Despite the fact that the company may independently select information that is shown in the accounting policy, suggested aspects will allow organizing accounting of intangible assets, what would increase economic bene-fits from their use. That, in turn, will strengthen the position of the enterprise in Ukraine and will increase its competitiveness.

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