

УДК 657

Oleksandra KILYAR

Ternopil Ivan Pul'uj National Technical University, Ternopil, Ukraine

## ACCOUNTING POLICY AS A TOOL OF ENTERPRISE MANAGEMENT SYSTEM

***Summary.** The essence of the concept “accounting policy” in its modern sense, main principles and problems of its formation are discussed in the article. The process of accounting policy implementation into enterprise practical activity under accounting reforms conditions in Ukraine has been under consideration. Main stages of accounting policy formation have been considered. Organizational and methodical basis of accounting policy formation at micro- and macro- levels has been highlighted. State participation in requirements setting on accounting policy content and structure, its detailed elaboration degree, area of usage, accounting policy focus on different groups of accounting information users has been specified. Statutory regulations and legislative instruments of accounting policy formation have been explained, its place in enterprise management system has been studied. Ways of improvement of Order of enterprise accounting policy taking into account accounting issues have been determined. Directions of further research have been proposed.*

***Key words:** accounting policy, accounting management, accounting standards, elements of accounting policy.*

**Introduction.** Nowadays development of national enterprises is largely affected by efficient management and planning of their finance-economic activity. This process is followed by necessity in management development and implementation where enterprise accounting policy is an important tool.

**Review of the latest research and literature.** The problems on accounting policy development and its place in enterprise management system have been paid a great attention to by a number of scientists, namely Baranovska T.V., Butynets F.F., Duda T.T., Lovinska L.G., Shpak V.A., Zhytnyi P.Y., Pushkar M.S., Shchyrba M.T. and many others.

**Main purpose of the article** is to determine the accounting policy place in the process of management carried out by a business entity.

**Task setting.** The following scientific tasks have been set out to achieve the target goal: to capture the essence of the concept “accounting policy”; to make a review of the information sources providing the process of enterprise accounting policy development; to determine the role of accounting policy in enterprise management system.

**Statements of main issues of the study.** The appearance of the above-mentioned concept in national experience is connected with some changes in the system of economic relations resulted in the necessity of accounting reforms in Ukraine, its adaption to the new economic conditions and the processes of accounting transformation according to international standards.

While studying the development of accounting policy most scientists have agreed that its origin refers to the early 30<sup>th</sup> of the XX century. At that particular time an economic crisis in the USA provided the impetus for making decisions on common information basis in planning and forecasting at micro- and macro levels. Accounting has become the basis for information system development. A French scientist J. Leote proved the statement by writing:

“The wheel of economics is not only rotated by labor and capital but by “accounting order” as well [9, c. 78–80]. It resulted in urgent need of common rules of accounting development when the activity indices comparison of both certain enterprises and certain industries would be possible. Here, accounting policy has become a set of such rules, requirements and procedures.

According to Butynets F.F., “The category of “accounting policy” introduction into theory and practice means the recognition of an accountant and accounting methods participation in enterprise profits forming, shows the relativity of accounting data, changes the accountant status and its place in accounting hierarchy essentially” [1, c.355].

There are different definitions of the concept “accounting policy” in national economic literature. Though, the scholars don’t have a common view on this concept. We will consider different approaches to its interpretation in various literary sources so that to find out the essence of the category under discussion.

Most scientists consider accounting policy as a set of ways to maintain accounting records. Nevertheless, we must agree with the view of Butynets F.F., Lovinska L.G., Shpak V.A. who argue that accounting policy, apart from records maintaining, covers rather broad concept of its management. It’s impossible to maintain accounting records without their arrangements, i.e. in case of breaking this rule the whole system of true and fair records preparation can be built the wrong way [1, 5, 10].

At the legislative level the matters of enterprise accounting policy formation are regulated by the Law of Ukraine “About accounting and finance reporting in Ukraine” (henceforth Law № 996-XIV), Methodical Guidelines on the enterprise accounting policy approved by the Order of Ministry of Finance of Ukraine of June, 27 2013 № 635 (henceforth Guidelines № 635) and international laws, namely IAS 8 “Accounting policy, changes in accounting assessment and mistakes”.

So, the above-mentioned Law № 996-XIV gives the definition of accounting policy as a set of principles, methods and procedures used by an enterprise to write and submit finance records [4].

According to IAS 8, accounting policy are certain examples, patterns, agreements, rules and experiences, used by a business entity whilst writing and submitting finance records [7].

Accounting policy must be developed by any enterprise registered in legislative order. By definition accounting policy must provide reliable information of enterprise property and finance position, results of its activity necessary for all finance records users to make certain decisions. Here the company itself determines its accounting policy and chooses an accounting procedure keeping to legislated principles.

Let’s discuss some peculiarities of accounting policy formation according to international laws.

When IAS is applied to a certain transaction, another event or condition, accounting policy or accounting policies used for this article should be defined according to IAS requirements. Thus, in accounting policy formation according to IAS, first of all, it’s necessary to keep to the requirements of the standards concerning some accounting sections regulation.

As opposed to national regulatory-legal basis, IAS provides a procedure in case when there is no proper standard for the certain operation.

Paragraph 10 of IAS 8 stipulates that in case when there isn’t any necessary standard for a certain transaction, another event or condition, managerial staff must apply rules and procedures while developing and using accounting policy so that the information is:

- 1) adequate for the users at economic decisions making;
- 2) reliable, i.e. that finance records:
  - truthfully shows the finance position, finance results of the activity and money flows of a business entity;

- covers the economic aspect of transactions, other events or conditions, but not only legal form;

- neutral, i.e. unbiased;
- careful (conservative);
- complete in all important aspects.

To satisfy the § 10 IAS 8 requirements managerial staff must take into account the current statements of authorities who develop and approve the standards which apply the similar conceptual basis to develop standards, other accounting-related literature and experience so that not to contradict the requirements of § 11 IAS 8. In other words, if the necessary norms aren't mentioned by the standards, an enterprise may apply the appropriate norms from the other sources or seek for the instructions for similar cases described by IAS.

According to Methodical Guidelines № 635 accounting policy of an enterprise must specify the applications:

- methods of assessment of stock reduction;
- interval of stock weighted average cost estimation;
- order of accounting and distribution of shipping-handling expenses, a separate subaccount keeping of shipping-handling expenses records;
- amortization methods of capital assets, other fixed tangible assets, intangible assets, and also long-term biological assets and investment properties in case when they are accounted by historical cost;
- cost characteristics of the items which are a part of low cost fixed tangible assets;
- approaches to capital assets reassessment;
- use of 8 and/or 9 class of Accounts Chart of assets, capital, liabilities and business transactions accounting of enterprises and organizations, approved by the Order of the Ministry of Finance of Ukraine of November 30, 1999 № 291 registered in the Ministry of Justice of Ukraine of December 21, 1999 as № 892/4185 (as amended by the Order of the Ministry of Finance of Ukraine of November 28, 2011 № 1591);
- approaches to the intervals of including the capital assets additional sums into the non -distributed profit;
- a calculation method of doubtful debts reserve (in some cases – a procedure to determine the doubtfulness index);
- a list of future expenses and payments security measures providing;
- terms of payment out of profits (for state and municipal enterprises);
- procedure of assessment of service transactions readiness degree;
- areas of activity, the priority area, pricing basis in intra-organizational settlements;
- list and content of variable and permanent general expenses of production, bases of their distribution;
- list and content of production output costing (works, services etc.);
- procedure of readiness degree determining according to the building contract;
- date posted of financial assets resulting from systematic transactions;
- basis of expenses distribution by transactions with own capital tools;
- quantitative criteria and qualitative characteristics of essential information on business transactions, events and articles of finance records;
- interval of records on deferred tax assets and deferred tax liabilities;
- criteria of differentiation of objects of operational property and investment property;
- approaches to related sides classification;
- date posted of ordinary shares, whose issue is registered to the calculation of

average number of ordinary O/S shares per year;

- date of initial recognition of fixed assets and a disposal group as those which are held for trading;
- making-out a separate balance sheet by branches, representative bodies, departments and other separate subdivisions of the enterprise;
- interval and objects of inventory check;
- a unit of stock analytical accounting estimation;
- procedure of report making on money flows;
- approaches to including the expenses on an article of fixed assets improvement into initial cost or revenue expenditure [6].

Based on the principle of consistency the enterprise accounting policy must permanently use (each year) the adequate stable accounting policy. This policy can be changed only if the statutory requirements are changed, if the requirements of the body responsible for the state regulation of accounting and financial reports methods are changed, or if changes in accounting policy provides more truthful representation of events (business transactions) in accounting and financial reports.

The process of choosing a certain method in the business information management system at an enterprise level includes different aspects: economic, juridical, organizational, technical-technological.

They form the very accounting that is the system of arrangement, collecting, storing the data necessary for the certain managerial problem solving as a set of interrelated blocks (subsystems): expenditure accounting; performance indices; management reports.

While developing accounting policy one must clearly determine the subject-matter and contents of accounting policy, its principles, methods and objects. The essence of each category is as follows.

The subject-matter of accounting policy is the process of accepting and revealing the accounting policy, i.e. the way how the enterprise will start developing its own policy.

The contents of accounting policy depend on a certain enterprise, and determines the logic of accounting policy development.

Principles and methods, forming the enterprise accounting policy, are specified by Accounting (Statement) Standards 1 which have determined that the enterprise must highlight its accounting policy by description of:

- principles of reports articles assessment;
- accounting methods on certain reports articles [8].

Principles are main statements of the policy, its foundation. Practical implementation of the principles is provided due to the accounting methods.

Methods are the ways to solve certain tasks which the enterprise faces dealing with accounting. In case of accounting policy, choosing a method means choosing an accounting estimation of assets cost, capital, liabilities, profits and expenditure, proposed by Accounting (Statement) Standards.

Accounting policy, to be more exact, a method of assets and liabilities assessment can make an impact on financial results of the enterprise for the reporting period.

The process of accounting policy formation involves some activity on:

- determining a list of accounting policy objects depending on a number of factors;
- choosing the accounting policy components for every object.

An accounting policy object is referred to any norm or stand of the enterprise on accounting management and providing where some alternatives take place. The objects of accounting policy are the following:

– assets, their sources, economic events and financial results which can be easily classified and truthfully determine their features of accounting and including the final data into accounts and records.

The essential elements of accounting policy are possible techniques, ways and procedures selected from the commonly accepted taking into account the enterprise specific activity. The list of elements is made according to the objects so the list has distinctive features for each enterprise.

A business entity must choose some adequate methods of reporting clauses assessment and accounting which represent its specific activity from the range of accounting policy elements proposed by accounting statutory instruments of regulations. The choice availability, in its turn, means different options one can choose from. Although, not all lists of options are a set of accounting policy elements.

It's necessary to draw your attention to the fact that not all options of accounting policy elements proposed by accounting statutory instruments of regulations provide for the same algorithm of their choice. They are assumed to be divided into two groups.

The first group includes elements of two (or several) alternative choices where the enterprise can opt for only one of them.

The following accounting policy elements are included to this group:

— interval (period) of including the capital assets additional sums to the non -distributed profits (every month, by a quarter, once a year or after object leaving);

— accounting procedure (identified or in total) and distribution (by direct payments or by average interest) of shipping - handling expenses;

— interval of recording a weighted average cost of stock unit (per reporting month or for the date of transaction);

— interval of records on deferred tax assets and deferred tax liabilities (in current or only annual finance reporting );

— approach to the finance expenditure accounting (by recognition them as the expenses of reporting period where the expenses were charged or capitalization).

The second group includes the accounting policy elements where the choice of a single alternative of all available ones is compulsory (though only one alternative can be chosen).

In this case the enterprise can make a decision to apply all options outlined in the accounting statutory instruments of regulations to different groups of assets simultaneously.

Taking into account the above-mentioned, we must admit that the following issues must be the key ones whilst accounting policy developing: accounting principles must be the basis of any accounting policy, though the enterprise independency specified by the statutory documents makes possible to apply different approaches to these principles implementation; any accounting policy should be open for all users of information (keeping to the requirements of privacy concerning certain information); any accounting policy must be developed keeping to the requirements of international laws.

The structure of accountants' reports, their contents and practical value must always be certain users-oriented. It's difficult to imagine the whole management process without knowledge of needs of management system in information and certain managers' requests for necessary data amount and structure. Accounting policy is implemented in the way so that to satisfy the needs of management in sufficient, urgent and relevant information to make decisions on the basis of a certain technique of data collecting and processing.

According to Prof. Pushkar M.S., information is a subject matter necessary and compulsory for the case estimation, development of possible alternatives of managerial decisions and choosing the most efficient of them for practical use.

According to the Law of Ukraine “About information” information is understood as documented and publicized news of events and phenomena taking place in society, state and environment [3].

Main requirements to the information are: truthfulness and timeliness of data, completeness, compliance with the laws, usefulness at certain stage, a legal way of their receiving. Management system is setting a goal and objectives to the accounting concerning amount, quality, emergency of sending information about objects under control, and accounting system is passing the processed data to the management system according to the program, specified in advance.

Accounting policy users are individuals or legal entities who need some information on the enterprise activity to make decisions. Among the users are:

- investors: venture capital people and their advisors who worry about risk dealing with investments and investments-related profits, they need information which helps to determine what they have to do: buy, store or sell;

- share holders: are interested in information which allows to estimate the enterprise ability to pay dividends;

- employees: are interested in information on employers’ reliability and profitability and also in information which allows to estimate the enterprise ability to provide labor expense, pension and employment;

- loaners: are interested in information which allows to determine if their loans and interests on loans amount will be paid in time;

- suppliers and other trade creditors: are interested in information which allows to determine if the debts will be paid in time. Apparently, trade creditors will be interested in the enterprise for not so long period as loaners will do, unless they depend the entity operation as it’s their main client;

- clients: are interested in information on the enterprise continuous operation especially in case when they have signed long-term agreements with the enterprise or somehow depends on it.

- government and government institutions: as government institutions are interested in their resources allocating, they are interested in the enterprise operation as well; they also need information to regulate the enterprise operation, determine its accounting policy, these institutions are also the basis of statistic data of national output and other data;

- the public: enterprises make impact on society members in different ways, for example enterprises can contribute essentially into local economy in many ways, including by employment providing and social work performing among local suppliers; financial reports of the enterprises can assist the public by presenting the information on the latest tendencies and achievements in the enterprise prosperity and its range of activity.

Both external and internal factors are influencing the accounting policy whilst the enterprise accounting policy is being developed. Let’s consider the factors more in detail. As for the external influence, one must take into consideration the fact that accounting policy of the enterprise is immediately affected by general national and regional accounting policy. Thus, while speaking about factors it’s necessary to admit that some of them will make impact on the accounting policy at its different levels. At the same time, internal factors depend on peculiarities of a certain business entity.

External factors are:

- legal system;
- political system;
- degree of legislative regulation in accounting issues;
- taxation features;
- degree of state participation in economic relations;

- size and complexity of business entities;
- degree of enterprises participation in their common activity;
- professional unions of accountants and auditors;
- theoretical conceptions of national accounting;
- professional level of accounting staff.

Internal factors affecting the accounting policy formation are:

1) form of ownership – makes impact on the accounting management, i.e. accounting process at an enterprise is influenced by the owners' interests;

2) organization-legal form of entity like an enterprise, business company, association of entrepreneurs which influence the accounting management, i.e. each form of entity has its own principles of accounting management;

3) organizational structure of enterprise group, its size, range of activity;

4) peculiarities of production and commercial activity of enterprise group make impact on accounting management and maintenance, i.e. it must assist the formation of uniform analytical information within the enterprise group;

5) a parent enterprise control of subsidiary enterprises – enterprise group division depends on the substantiation of this control and, in turn, this division makes impact on the accounting management and maintenance in these enterprises and on the process of internal payments formation;

6) responsibility of a parent enterprise on liabilities of subsidiary enterprises is specified in statutory documents, makes impact on accounting management and maintenance to arrange finance and tax reports at these enterprises.

The factors under consideration affect a business entity in a different manner, namely its accounting system arrangement. Factors of direct and indirect action are among them.

Factors of indirect action characterize and determine the political freedoms, social-economic conditions, international agreements and relations, the level of scientific-technical progress, investments market situation, terms of loans commitments, environmental conditions and nature use conditions.

Factors of indirect action are forming economic – legal environment – legal support (state of economic, tax, customs, accounting legislations); they are characterizing not only the close business environment (consumers, suppliers, competitors, investors, business partners, business associations) but economic state as well (inflation rate, financial system stability, prices rise on manufacturing resources, demand for Ukrainian products, affordability of enterprises and population).

**Conclusions.** According to the results of conducted investigation we have come to the following conclusions. The accounting policy developed by an enterprise has direct impact on the accounting purpose achievement as it is a key factor to influence the truthfulness of financial reports and accounting figures comparison. Accounting policy of an enterprise is an important tool which makes possible the reasonable combination of state regulation and the enterprise initiatives on the matters of accounting policy management and conducting. Hence, the enterprise management system efficiency and the enterprise development strategies depend on the appropriate accounting policy. The main document describing all possible statements on accounting policy is the Order of accounting policy. But, nevertheless, the content of the Order of accounting policy must include the statements which will make possible the efficient combination of accounting system and all constituents of enterprise management system.

#### References

- 1 Butynets F.F. Accounting management: Textbook for high school students majoring in “Accounting and audit” / edited by Butynets F.F. [3d edition, completed and changed]. Zhytomyr: PE "Ruta", 2002. 592 p.
2. Butynets F.F. Finance accounting: Textbook / edited by Butynets F.F. Zhytomyr: ZITI, 2000. 608 p.p.,p.355.

3. Law of Ukraine «About information» of 02.10.1992 № 2657-XII (with changes and amendments) [e-resource] / Access mode: <http://zakon2.rada.gov.ua/laws/show/2657-12>.
4. Law of Ukraine “About accounting and financial reporting in Ukraine” of 16.07.1999 № 996-XIV ((with changes and amendments) [e-resource] / Access mode: <http://zakon1.rada.gov.ua/laws/show/996> – 14.
5. Lovinska L.G. About national accounting policy in Ukraine / Lovinska L.G. // Economy of Ukraine: political-economic journal. 2006. № 4. – P.P. 22 – 29.
6. Methodical Guidelines on enterprise accounting policy approved by the Order of Ministry of Finance of Ukraine of 27 June 2013 , № 635 [e-resource] / Access mode: <http://zakon.nau.ua/doc>.
7. IAS 8 “Accounting policy, changes in accounting assessment and mistakes” [e-resource] / Access mode: [http://www.dipifr.info/lib\\_files/standards/ukr/standards\\_010109/IAS\\_8.pdf](http://www.dipifr.info/lib_files/standards/ukr/standards_010109/IAS_8.pdf).
8. Accounting Statements (standards) [e-resource] / Access mode : <http://prou4ot.info/index.php?section=browse&CatID=92>
9. Sokolov Y.V. History of accounting development / Sokolov Y.V. – M.: Finance and statistics, 1985. – 367 p.,
10. Shpak V.A. Accounting policy is an element of accounting management / Shpak V.A. // Scientific journal of Khmelnytskyi national university. 2009. № 6. V. 1. Pp. 203 – 205.

Отримано 15.12.2018

УДК 658.012

**Михайло ЛУЧКО**

**Тернопільський національний економічний університет,  
Тернопіль, Україна**

## **ДЕЦЕНТРАЛІЗАЦІЯ: ОКРЕМІ ПИТАННЯ МЕТОДИКИ АНАЛІЗУ ЕФЕКТИВНОСТІ УПРАВЛІННЯ КОШТАМИ МІСЦЕВИХ БЮДЖЕТІВ**

***Резюме.** Розглянуто питання методики аналізу ефективності управління коштами місцевих бюджетів. Особливу увагу звернуто на дослідження проблеми аналізу окремих чинників ефективності використання коштів бюджетів в об'єднаних територіальних громадах. Вказується, що аналіз слід проводити на зрізі 5-ти ознак, які характеризують процес наповнення бюджетів, його своєчасність по окремих бюджетоутворюючих чинниках. Наведено формули для аналізу, що дозволять провести розрахунок власних доходів громади на одного зареєстрованого у ній мешканця, динаміку надходжень місцевих податків і зборів та її факторний аналіз, рівень дотаційності бюджетів, ефективність управління об'єднаної територіальної громади, ефективність проведених видатків капітального характеру і їх вплив на наповнення бюджету. Досліджено принципи збалансованості бюджетів та необхідність застосування бюджетного вирівнювання.*

***Ключові слова:** децентралізація утворення громад, фінансовий аналіз, чинники використання бюджетних коштів, ефективність, управління, кошти, місцеві бюджети.*

**Mikhaylo LUCHKO**

**Ternopil National Economic University, Ternopil, Ukraine**

## **DECENTRALIZATION: SOME ISSUES OF THE ANALYSIS METHODS OF LOCAL BUDGET MANAGEMENT EFFICIENCY**

***Summary.** The article deals with the analysis methods of the management of local budgets efficiency. Particular attention was paid to the study of the problem of analyzing individual indicators of the efficiency of*