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Motivations and constituents of the accounting

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*Motivations and constituents of the accounting
development in Ukraine*

Motywacje i elementy rozwoju rachunkowości na Ukrainie

Key words: globalization process, accounting system, foreign investor, development, higher educational establishment, international standard

Słowa kluczowe: proces globalizacji, system rachunkowości, inwestor zagraniczny, rozwój, instytucja szkolnictwa wyższego, standard międzynarodowy

Introduction

The modern stage of economic development on a world scale is related to internationalization of economic, financial, political and public relations being the consequence of globalization process. The International Accounting Standards Committee (IASC), the countries of Europe and the U.S. Generally Accepted Accounting Principles (GAAP) exercise general influence on forming of the unified accounting system. This circumstance results in a change and integration of the national accounting systems into a single international accounting and reporting system.

For the market-economy oriented countries aiming at “conquering” of international markets and extremely interested in influx of foreign capital, the diagnostics problem of the modern state of financial information provision norms, rules, principles and facilities system by means of record-keeping easily understandable to the foreign investors and creditors acquires a special meaning. It is related to the fact that for timely and adequate transformation of the national accounting systems it is necessary to be informed about a specific character, similarities, differences, and features of accounting

principles functioning in different countries. Realization of diagnostics and accumulation of experience of the economically developed countries in the sphere of accounting procedures methodology is a starting point for the successful decision of tasks of prognostication and strategic planning of the own accounting system development.

At the same time a matter of accounting system development is a multiple-factor as it includes a number of interconnected influential constituents starting from skilled personnel training. And this, in turn, is a whole “army” of practicing accountants in need of the proper retraining, and future accounting specialists – graduating students and students of higher educational establishments. In particular, the last group shall be in main attention at all levels.

In the process of such preparation it is very important to gain proficiency not only in theoretical postulates adopted from international experience and works, but to master the essence of economic phenomena and processes causing the appearance of international standards as well. The achievement of the indicated purpose is possible and in separate cases is realized due to the achievement of international agreements about collaboration between domestic and foreign higher education establishments preparing the bachelor and master’s degree students. However, such a practice is not a system and passing of particular courses or disciplines in foreign education establishments is not accepted in the plan of national curriculum. The necessary co-ordination in this sphere needs corresponding legislative works at the level of Department of Education and Science, Young People and Sport of Ukraine.

1. The urgency of accounting adaptation in accordance with the present-day terms

The topicality of this article consists firstly in the generalization of experience on adaptation of the national book-keeping and tax accounting systems to the international standards with the purpose of their use in domestic practice, and secondly, in scientific grounding of accounting development directions and inclusion of personnel training in the general conception of accounting development with state order quota forming for preparation of specialists with the international standard diplomas.

In accordance with the present-day terms and perspective development of the economy of a country a problem of book-keeping development has always been and will be a topical one¹. Ukraine is not an exception from this rule, and this country is rather in need of a scientific breakthrough in the mentioned direction.

¹ М.Я. Яструбський, *Обліково-аналітичне забезпечення менеджменту: перспективи розвитку та реалізації*, в: М.Я. Яструбський, Я.В. Кузнецов, *Сучасні проблеми економіки і менеджменту*. Видництво “Львівська політехніка”. Львів, 2011, 445 с.

Accounting is extremely important for economy management. The informative, evaluative, control and analytical functions must be laid in its basis. The internal and external users of accounting information also set up claims to it.

The accounting systems (in relation to specific book-keeping and reporting rules and procedures) have been historically formed in countries or groups of countries under the influence of national economic and political development features. However, the internationalization of economic life, on the one hand, and its market unification on the other hand, have stipulated the necessity of international standardization of accounting as a basis for the *mutual understanding in exchanging business information* and effective business management.

The questions of book-keeping standardization are presently being directly dealt both by the special international organizations as well as the authorized national bodies. Among the first, the International Accounting Standards Committee (IASC) founded in 1973 in London by professional accountants organizations from Australia, Canada, France, Japan, Germany, Mexico, Holland, Great Britain, Ireland and USA shall be mentioned.

Another authoritative international organization is the International Federation of Accountants (IFA) established in 1977 in Munich. The sphere of this organization activity is development of ethical, educational and audit directions in the book-keeping.

Since 1983 the IASC has been consisting of all professional IFA member accountants and auditors organizations. The International Accounting Standards Committee includes about 200 professional organizations from almost 150 countries of the world. In addition, many countries which do not belong to IASC (e.g. CIS countries) in one or another measure use its recommendations.

Today more than 60 countries really apply IAS to one or another extent. The work for national standards harmonization is intensively carried out in Australia, South Africa, China, Vietnam, Japan, and Russia.

The collaboration between IASC and the European Union has been considerably activated. As it is known, in the process of the European Union (UE) economic policy harmonization there are being realized own measures on accounting and reporting standardization and unification in this integration group member countries. The following European Council Directives refer directly to the book-keeping and financial reporting spheres – Fourth Directive: annual accounts of companies with limited liability² concerning the matters of book-keeping and financial accounting, standardization of accounting forms and their publication, and also organization of correct accounting and reporting control; Seventh Directive: consolidated accounts of companies with limited liability³, which describes the consolidated financial reporting procedure.

² Fourth Council Directive 78/660/EEC of 25 July 1978 // http://Europa.Eu/Legislation_Summaries/Internal_Market/Businesses/Company_Law/L26009_En.htm

³ Seventh Council Directive 83/349/EEC of 13 June 1983 // http://europa.eu/legislation_summaries/internal_market/businesses/company_law/l26010_en.htm.

The European Commission is the body which directly provides implementation of Directives in relation to the book-keeping norms in EU countries having the status of an observer in many IASC committees. For the present moment the European Commission prepares amendments to the Directives for bringing them into accordance with IAS.

In most countries of the world the matter of book-keeping and financial reporting standardization has been passed to the competence of one or few state regulatory bodies (Ministry of Finance, Economy, Central Banks, Commissions for Securities etc.), which co-operate with the business entities as a rule, through self-regulatory organizations (SRO). In relation to the countries with the developed market economy it is possible to speak about the expressed tendency to standardization of the accounting-analytical systems at the national and international levels.

It should be noted that:

- firstly, a development and introduction of international accounting and reporting standards process is dynamic, the separate standards are specified or replaced by new ones taking into account experience of their application and modern requirements;
- secondly, international standards are not obligatory and they function as recommendations for introduction;
- thirdly, international standards do not regulate a book-keeping technique and methods which have been and will be different in different countries of the world.

It follows to consider the orientation of efforts on the clear and transparent display of investment operations on fund markets, the most substantial feature of the modern stage of international book-keeping and accounting standardization.

A new impulse for intensification and expansion of a scale of works on international financial operations accounting standardization was given by the modern world financial crisis. As current IAS, in the opinion of IFA and IASC experts, do not fully represent all possible financial operations, especially composite speculative ones, then it is impossible to monitor conditions and results of financial crisis through the financial reporting analysis.

In particular, many large companies of South-East Asia countries (in which the world financial crisis has actually begun), by taking large credits have violated the principle of “continuity of enterprise functioning” just a few months after completion of audit verification⁴. Less than 35% of companies and banks of these countries have exposed the facts of granting of intercompany credits in their accounting, and only 19% have reported about losses from currencies exchange rate, only 18% have displayed in accounting the presence of derivative securities nominated in a foreign currency.

Despite the fact that as for today the investment operations accounting standards can be considered in general as internationally standardized, the book-keeping systems of investing keep a national specific character, which especially refers to the transition

⁴ Д.Г. Лук'яненко, Б.В. Губський, О.М. Мозговий та ін., *Міжнародна інвестиційна діяльність*, К.: Кнеу, 2002, 310 с.

economy countries⁵. It is conditioned not only by the available differences of political and economic environment of economic activity, book-keeping traditions (decentralized and centralized models). The reason for this is that the investment activity takes place in the vague conditions. Investment operations take a long period of time and, as a rule, they step outside an annual financial report. Upon the reporting date there exist certain unfinished investment operations the result of which is not defined. It needs estimation of future events with allocation of charges and profits between corresponding reporting periods. In the transition economies conditions the vagueness of investment operations effectiveness is increased by inflationary processes and other factors.

In general, an IAS orientation provides: reduction of risk for creditors and investors; lowering of every country expenses for development of its own standards; possibilities for more effective international co-operation in book-keeping sphere etc.

Ukraine, as well as most countries with transition economies has gone the way of IAS-based national standards development. It is important that harmonization of national standards with IAS shall be understood not as a one-time act, but as a complex multidimensional process. It shall be considered in relation to completeness and order of reflection of different types of economic activity, in relation to the terms of introduction of standards, as well as in relation to providing the conditions of their effective use. The success of the reform will depend in a great deal on strengthening of positions and co-ordination of efforts of accountants and auditors professional organizations, and efficiency of their collaboration with the public bodies.

The accounting problems related to increasing transnationalization of entrepreneurial activity are actual, foremost, for foreign multinational companies expanding their investment activity in Ukraine, and for a small number of Ukrainian enterprises with active investment activity abroad.

However, increasing scales of foreign investment activity and, especially, Ukrainian subjects' investment activity in foreign countries has stipulated the development and introduction of investment accounting national standards to the subsidiary and associated companies, financial reporting on shares in joint venture companies. The creation of industrial and financial groups (IFG), especially multinational ones, makes currently these issues topical.

In general, bringing the national accounting and reporting systems to the international standards requirements is a way to accounting internationalization and harmonization, upgrading of accounting information and confidence in it from the part of different users⁶. At the same time the accounting system reformation is a difficult process that needs a troublesome work of legislators, scientists and practitioners. A scientific grounding and defining of such reformation conception needs the im-

⁵ М.Я. Яструбський, Я.В. Кузнецов, *Конкурентна політика в Україні на сучасному етапі економічного розвитку*, Вісник національного університету "Львівська політехніка". Вип. 720. Львів, 2011, 433 с.

⁶ Д.Г. Лук'яненко, Б.В. Губський, О.М. Мозговий та ін., *Міжнародна інвестиційна діяльність*, К.: Кнеу, 2002, 310 с.

mediate attention, and thereafter, on the basis of scientifically grounded regulations – their legitimating at a higher state level.

The problem of book-keeping development is constantly in the spotlight of many scientists. Each of them has personal point of view on the prospect of development of book-keeping regulation and reformation directions.

In particular, F. Butynets considers that “Within a long time of pseudo reforms of accounting Ukraine has practically lost a former book-keeping and the personnel which understood a value and role of the theory and practice of accounting, its essence and functions concerning preservation of the owner’s property, providing the management with information, and the correctness of financial activity result calculation”⁷. Such position of a researcher is pretty understandable and right, in fact introduction of IAS is being conducted mainly in the directive order, without grounding of essence and motivations of economic processes that need display in an accounting and reporting in obedience to these standards. This blank shall be filled by the higher school which also needs the proper reformation.

The proper training of scientific and pedagogical personnel, preparing the students (at least at the internship level), and students in an environment, where scientific positions and accounting grounds coincide with economic practice generating them is one of important directions of such reformation. Exactly these positions make the matter of collaboration between leading national higher education establishments and foreign educational establishments of a corresponding grade a topical one. Entering into international contracts on collaboration in the sphere of scientific and pedagogical workers and students exchange with the purpose of their internship and studies and their practical realization is the basic direction of decision concerning the matter of the proper training of professional personnel able to pull out national economy on the international standards level.

Such approach is not a contribution to the fashionable trends of obtaining of prestige education or international standard diploma as end in itself, but it is an objective necessity of mastering of the rules of functioning of those international markets which Ukraine is interested in. Granting a quota for such preparation at the state level is the next stage in the development of science and practice in particular in the accounting area. And the next matter for the time being is legitimating – recognition and co-ordination of curricula, scientific and pedagogical load and other effective aspects arising from realization of programs for international cooperation of higher education establishments.

⁷ Ф.Ф. Бутинець, *Бухгалтерський облік в Україні*. Міфологія. Ч.2. Житомир, 2003, 524 с.

2. The concept of further development of accounting in Ukraine

For the present day there operates the European credit-transfer system in Ukraine allowing accepting the courses passed in foreign higher education establishments within the framework of the current curriculum, however, its realization needs a troublesome work.

V. Mossakovskiy and T. Kononenko have mentioned: "In our opinion, a period came, when it is important to analyse the modern state of accounting, to specify the organizational and methodological aspects of functioning of the existent registration system in Ukraine and in other countries, to define achievements and work out the ways of improvement and directions of further perfection of the informative support of Ukrainian economy management and its separate elements"⁸.

For this purpose the majority of domestic scientists specify the necessity of working out the conceptions of further book-keeping development in Ukraine. In the opinion of S. Holova, the precondition of further book-keeping development in Ukraine is:

- a revision of theoretical book-keeping grounds taking into account complication of management, increase of intellectual capital role as a key factor of competitiveness, modern information technologies, that is the study of modern theories, revision of object and method of book-keeping;
- differentiation of financial reporting requirements. Thus, the subjects of economic activity shall apply unified principles of estimation and disclosure of information, but the volume of information is determined exceptionally by the users' necessities;
- accounting and reporting reunification that provides refusal from the strict forms of the financial reporting with obligatory codes of lines, and maintenance only of general structure of financial statements and minimum requirements to disclosure of information etc.;
- continuous professional education, certification of accountants facilitating rising the level of accountants' qualifications and the prestige of a profession, reduction of risk for the participants of fund market and financial institutes, harmonization of the Ukrainian system of accountants professional training with international standards, rising of efficiency of the corporate management system, strengthening of control after the observance of accountants and auditors professional ethical norms;
- active position of book-keeping association, in particular of accountants and auditors professional organizations, mass media, especially professional book-keeping publications;

⁸ В. Моссаковський, *Концепція побудови бухгалтерського обліку в Україні*, Бухгалтерський облік і аудит. 2007, №10, 18–25 с.

- forming of a modern accounting and reporting paradigm the purpose of which is creation of informative infrastructure, adequate to the requirements of market economy for the interests of all members of a society⁹.

In general, the integration processes and unification, including standardization of accounting are logical and irreversible phenomena as they are requirements of present time realities. The matter is how exactly these processes are adapting oneself in a national scale, what consequences they are accompanied by and how carefully thought out are the ways and methods of their realization.

The substantial changes in Ukrainian Accounting Standards (P(s)BO) were stipulated by the acceptance of the Tax Code of Ukraine, and the provisions of this code are in a great deal similar to the (P(s)BO) interpretations. It is clear and justified as it takes off a number of contradictions in the rules of display of homogeneous economic operations from positions of heterogeneous legislative documents. But none the less the mentioned book-keeping and tax accounting concordance is sometimes accompanied by such blanks raising unintentional doubts in relation to the professional competence of legislators. It is enough to mention a situation with interpretation of general production expenses that occurred in 2011 when such interpretation has been changed three times at the legislative level during a period covered. The whole army of accountants, involved in the production accounting, and thus the mentioned accounting constituent was in the “student-state” in the period of examination session, when it was needed to go in for exam in the form of accounting with opposing calculations which were half learned on different kind and quality seminars, but without a right to err.

The decision about changes in a book-keeping shall be made, bearing in mind its role in public life of the country taking into account active and perspective jobs. Taking into account the historical, social and economic features of the development of Ukraine, it is expedient to establish state control and introduce unified methodological accounting principles. At the same time such measures must be built on the renewed bases – by a clear observance of the normative acts requirements forming the Ukrainian book-keeping legislation system by all subjects. Today Ukraine needs an institutional reorganization of the book-keeping and accounting adjusting system where a state should play a leading role with active participation of professional public book-keeping organizations¹⁰.

The book-keeping in our country is organized according to the book-keeping principles and standards generally accepted in international practice and current national legislation. The strictest rules in this accounting system shall regulate a financial accounting. The administrative accounting of the enterprise is organized independently,

⁹ С.Ф. Голов, *Бухгалтерський облік в Україні: аналіз стану та перспективи розвитку: Монографія*. К.: Центр учбової літератури, 2007, 522 с.

¹⁰ М.Я. Яструбський, *Управління бізнес проектами у сучасній системі менеджменту підприємства*, в: М.Я. Яструбський, Я.В. Кузнєцов, *Облік, аналіз і аудит в системі управління суб'єктів господарювання: вітчизняна практика та міжнародний досвід*. Матеріали Міжнародної науково-практичної конференції. Сімферополь: ДІАІПП, 2011, 248 с.

as that is required by the features of activity, structure, and management necessities. But a book-keeping in enterprises must be based on unified methodological principles, set by a current legislation, and also on methods and ways by means of which the productive, financial, and sale activity is provided in corresponding book-keeping.

Conclusions

According to the international standards, the accountants must make decision and follow the principles focused on a single aim: to provide the objective picture of the state of enterprise and results of its activity for a certain period (month, quarter, half-year, year) both in the matter of profits and losses.

At reformation of the national system of record-keeping that includes its bases, the development of book-keeping science is a topical matter; it should be realized through: realization of interdisciplinary researches taking into account achievements of the economic theory; the use of systems approach for clarification of public accounting value; determination of ways of book-keeping development in the context of internationalization of economy; clarification of principles and book-keeping methods; determination of the role of regulative institutes and normative support of accounting; introduction of the institute of professional judgement; clarification of a role of accounts plan and registration policy in the system of book-keeping regulation; harmonization of registration methods on the basis of international normative acts.

The present article provides the examination of the prospects for book-keeping development in Ukraine, and determination of probabilistic ways of such development. Ukraine can not economically and effectively develop itself without taking of the corresponding niche on the European economic space, for example, as a trade partner, which needs, in particular, book-keeping and accounting reformation in production and in all without an exception spheres of economic life of the state. The book-keeping development in turn directly depends on training of accounting specialists on a due professional level. This task belongs to the competence of higher school, responsible for such training. Taking into account the above mentioned facts, close attention has also been paid in this article to the international cooperation of leading higher education establishments.

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Motywacje i elementy rozwoju rachunkowości na Ukrainie

Aktualność niniejszego artykułu polega, po pierwsze, na uogólnieniu doświadczenia w zakresie dostosowania krajowych systemów księgowości i podatkowych systemów rachunkowości do międzynarodowych standardów z zamiarem wykorzystania ich w praktyce krajowej, zaś po drugie, na naukowym osadzeniu kierunków rozwoju rachunkowości i włączeniu szkolenia personelu do ogólnej koncepcji rozwoju rachunkowości wraz z tworzeniem przydziału na zamówienie w celu przygotowania specjalistów z dyplomami o standardzie międzynarodowym.