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SUBJECTIVITY AS A PROBLEM ASPECT OF REFLECTION IN ACCOUNTING FINANCIAL RESULTS OF ENTERPRISE ACTIVITY

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The article examines the accounting essence of financial results of enterprises, including by identifying certain aspects of such accounting identification, namely the technical aspect of calculating financial results, the essential aspect of perception of financial results and the monetary aspect of financial results identification. It is proved that the main reason for the subjectivity of the definition in accounting for financial results is the need to calculate the results for individual reporting periods in terms of continuing business activities, because it is the presence and subjective assessment of balances of assets and liabilities leads to subjectivity in assessment financial result for a reporting period. It is determined that the subjectivity of the recognition moment of income and expenses leads to the emergence of alternative accounting methods for these categories – the cash method and the accrual method. It is established that the application of the cash method in modern conditions is almost impossible, because calculated in this way the financial result will be very questionable. Adoption of the accrual method solves the problem of cash gap for income and expenses in the presence of balances of assets and liabilities, which improves the quality of determination in accounting for financial results, but does not solve the problem of subjectivity, only moving it to the plane of accounting policy. The influence of some elements of accounting policy on the process of determining financial results is analyzed. The classification of elements of accounting policy developed by the author depending on presence and predictability of influence on the size of financial results of separate periods is presented. Classification involves the separation of elements of accounting policies that have a clearly predictable effect on the size of financial results, elements whose impact on the size of financial results is predictable, but depends on other factors, elements that affect the size of financial results, but the direction of influence depends on many factors and is unpredictable, as well as elements that do not affect the size of financial results. The influence of the subjectivity of the accounting definition of financial results on the process of corporate income taxation in accordance with current tax legislation is briefly considered.

СУБ'ЄКТИВНІСТЬ ЯК ПРОБЛЕМНИЙ АСПЕКТ ВІДОБРАЖЕННЯ В ОБЛІКУ ФІНАНСОВИХ РЕЗУЛЬТАТІВ ДІЯЛЬНОСТІ ПІДПРИЄМСТВА

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Ключові слова:

суб'єктивність, облік, облікова ідентифікація, фінансові результати, прибуток, збиток, доходи, витрати, чисті активи, власний капітал, облікова політика

У статті виконано дослідження облікової сутності фінансових результатів діяльності підприємств, у тому числі шляхом виокремлення окремих аспектів такої облікової ідентифікації, а саме технічного аспекту розрахунку фінансових результатів, сутнісного аспекту сприйняття фінансових результатів та грошового аспекту ідентифікації фінансових результатів. Доведено, що основною причиною суб'єктивності визначення в обліку фінансових результатів є необхідність здійснювати розрахунок результатів

за окремі звітні періоди в умовах продовження підприємством господарської діяльності, адже саме наявність та суб'єктивна оцінка залишків активів та зобов'язань призводить до суб'єктивності в оцінці фінансового результату за той чи інший звітний період. Визначено, що суб'єктивність моменту визнання доходів та витрат призводить до появи альтернативних методів обліку зазначених категорій – касового методу та методу нарахування. Встановлено, що застосування касового методу в сучасних умовах є практично неможливим, адже розрахований таким чином показник фінансового результату буде дуже сумнівним. Прийняття методу нарахування вирішує проблему касового розриву щодо доходів та витрат за наявності залишків активів і зобов'язань, що сприяє підвищенню якісного рівня визначення в обліку фінансових результатів, але не вирішує проблему суб'єктивності, лише переміщуючи її в площину формування облікової політики. Проаналізовано вплив деяких елементів облікової політики на процес визначення фінансових результатів. Презентована розроблена автором класифікація елементів облікової політики в залежності від наявності та прогнозованості впливу на розмір фінансових результатів окремих періодів, яка передбачає виокремлення елементів облікової політики, які здійснюють однозначно прогнозований вплив на розмір фінансових результатів, елементів, вплив яких на розмір фінансових результатів є прогнозованим, але залежить від дії інших факторів, елементів, які здійснюють вплив на розмір фінансових результатів, але напрямок впливу залежить від багатьох факторів та є малопрогнозованим, а також елементів, які не впливають на розмір фінансових результатів. Коротко розглянуто вплив суб'єктивності облікового визначення фінансових результатів на процес оподаткування прибутку підприємств відповідно до норм чинного податкового законодавства.

Formulation of the problem

The activity of any enterprise as a business entity is aimed at a stable profit and thus increase equity and, accordingly, net assets – economic resources that can bring economic benefits to owners. It is for the sake of achieving this goal that owners invest money, form the authorized capital, and spend time and entrepreneurial skills on strategic management of the enterprise. Determining the financial results of activities should be recognized as one of the central tasks to be solved by accounting. Historically, the emergence and development of accounting as a process of systematization of information in compliance with the principle of double entry, including justified by the need to adequately determine the financial performance of business structures. This task is still extremely important today. In accordance with Art. 3 of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» «the purpose of accounting and financial reporting is to provide users for decision-making complete, truthful and unbiased information about the financial condition and results of the enterprise» [1].

The financial result – profit or loss – of business activities, in our opinion, should be recognized as an objective value, the value that is formed under the influence of external factors for the accounting system, and accordingly should not depend on any accounting estimates and procedures, as well how the appearance of things does not depend on the quality of the mirror. But there is a fundamental remark to this thesis – it should be agreed only if we consider the period from the emergence of the enterprise to its liquidation – the financial result for the entire period of business. At the same time, the accounting system must regularly solve another task, namely to

assess the financial performance for individual reporting periods in terms of continued business activities. In turn, the continuation of active economic activity leads to the formation of assets and liabilities balances, the presence and, accordingly, subjective assessment of which actually leads to subjectivity in assessing the financial performance of the enterprise for a given reporting period.

Analysis and understanding of the nature of specific reasons for the evaluation of financial results subjectivity of certain periods of time will, in our opinion, increase the quality of accounting information on profit or loss as a result of the enterprise, which justifies the relevance of researching the subjectivity of accounting both for economics and for accounting practice.

Analysis of recent studies and publications

The issue of reflection in the accounting of financial results of the enterprise is the subject of many modern scientific studies. At the same time, the issue of accounting subjectivity for financial results is usually not emphasized by scientists, although some aspects of it are considered quite actively.

Yu.O. Ivakhiv, researching accounting methods for recognizing the results of the enterprise, analyzes the cash method and the method of accrual to reflect in the accounting of income, expenses and financial results. In particular, the scientist notes that it is «the method of accrual allows to establish causal links between business transactions and reflect their impact on the financial performance of the enterprise in the reporting period» [2, p. 80], but at the same time draws attention to the fact that «it is necessary to form an accounting system so as to be able to adequately reflect in the reporting such an indicator as the cash flow of the

current period to perform certain tasks and the potential for change in the future properly present the financial results of the enterprise» [2, p. 83].

Another common direction in the scientific literature is the study of the process of reflection in the accounting of financial results. It should be considered the analysis of the impact on this process of accounting policy and its individual elements. Thus, in a scientific article by L.A. Kushnir, O.N. Korkushko, V.O. Kushnir noted that «through the application of accounting policies adequate to the needs of the business entity, you can significantly influence the results of activities, property and financial condition» [3, p. 251]. L.V. Koval singles out the elements of accounting policy, the choice of which «affects the decrease» and «increases the financial result of the enterprise» and accordingly concludes that «taking into account the impact of accounting policy on the performance of the enterprise can achieve both increase and decrease financial results» [4]. In the development of these ideas, O.P. Ratushna argues that «when forming the accounting policy of the company responsible persons must take into account the consequences of choosing one or another element of the method of accounting policy for financial results, because some of them allow to manipulate the amount of profit, and this will lead to inaccuracy» [5, p. 208].

The scientific literature also examines the relationship between accounting for financial results and the process of taxation. Thus, V. Sopko notes that «one of the areas of rational organization of accounting is to improve the accounting of financial results and their reflection in financial and tax reporting» [6, p. 138–139], and the study indicates that «special attention should be paid to the elements of accounting policy, the formation of which should be based on the analysis of the impact of alternative accounting methods on enterprise profits and taking into account the assessment of tax consequences» [6, p. 145]. The conclusions of the scientific research of V.V. Kirsanova and D.O. Pelipadchenko, who argue that «it is important in the activities of managers and accountants of the enterprise is the formation of such an accounting policy that will not only provide... complete and objective information about financial results, but also choose the optimal scheme of corporate income tax and avoid unreasonable overstatement or underestimation of profit indicators, which is especially relevant in connection with the prospects of using the profit determined by the accounting rules as a basis for calculating income tax» [7, p. 324].

Thus, despite the available research on the impact of certain accounting procedures and accounting policies on the process of recognizing the financial results of the enterprise, the issue of reflection subjectivity in the accounting of financial results is not finally resolved, which justifies the relevance of further research.

Formulation of the goals of the article

The study purpose is to critically analyze the reasons for the subjectivity of the enterprise financial results, including the impact of certain accounting procedures and estimates on the formation of financial results, in order to create conditions for improving the quality of accounting information on the results of the enterprise.

The main material of the research

Carrying out a critical analysis of subjectivity as a problematic aspect of reflecting in the accounting of financial results of the enterprise, it is necessary to first examine the accounting essence of the category «financial results», and it will be about accounting perception of financial results, because it should be borne in mind that economic and accounting essence categories of «profit» and «loss» in a sense differ. Thus, according to the traditional approach in the interpretation of C.R. McConnell and S.L. Brue «accounting profit is the total revenue of the firm minus external costs», and «economic profit is revenue minus all costs (external and internal, i. e. costs associated with lost opportunities, including the normal profit of the entrepreneur)» [8, p. 46]. The difference is that in determining the accounting profit only the actual costs are taken into account, and in determining the economic profit also the costs associated with lost profits, because equity, aimed at forming the assets of the enterprise, can alternatively be used to obtain other benefits, for example, placed in a deposit account or invested in securities.

The normative basis for accounting identification of the category «financial results» in the domestic legal field is the National Regulation (Standard) of Accounting 1 «General requirements for financial reporting». According to the norms of this normative document «profit – the amount by which revenues exceed the associated costs» [9], «loss – the excess of the amount of costs over the amount of income for which these costs were incurred» [9]. Thus, the normative identification of financial results (profit or loss) provides primarily a technical approach to comparing income and expenses, which in turn raises the issue of accounting identification of the latter. Accordingly, income is recognized as «an increase in economic benefits in the form of an increase in assets or a decrease in liabilities, which leads to an increase in equity (excluding capital growth due to owners' contributions)» [1], and costs – «a decrease in economic benefits in the form of reduced assets or an increase in liabilities that results in a decrease in equity (other than a decrease in equity due to its withdrawal or distribution by owners)» [1]. If you combine these definitions and accept the technical identification of financial results as the difference between income and expenses, the profit should be recognized as an increase in net assets of the enterprise, which leads to an increase in equity (excluding capital growth due to owners' contributions), and loss and decrease in net assets enterprise, which leads to a decrease in equity (except for the reduction of capital through its withdrawal or distribution by owners).

Accounting in compliance with the principle of double entry allows you to logically combine the technical approach to calculating financial results and their substantive perception. Thus, if the company's income for a certain period exceeds its expenses for the same period, the difference – financial result – profit – is capitalized by forming additional assets without any increase in liabilities, i. e. there is an increase in net assets or equity without additional contributions from owners. Such additional net assets are the essential purpose of entrepreneurial activity,

because it is about the emergence of additional economic resources that can meet the needs of the entrepreneur or business owners. If, on the other hand, the company's expenses for a certain period exceed its income for the same period, the difference between the financial result – losses – leads to loss of assets, i. e. a reduction in net assets or equity (without withdrawal of funds by owners).

Thus, financial results as a goal and integrated result of business activity is a change in the value of net assets and, accordingly, the amount of equity (without additional contributions or deductions by owners), which is technically the difference between income and expenses incurred over time.

Retained earnings in double-entry accounting according to the analyzed logic is perceived as a liability – a source of additional assets of the enterprise for the amount available before the distribution of profits between owners by accruing dividends. Losses as actually lost economic resources are formally recognized as specific, «contingent» assets, which accordingly leads to a decrease in equity.

Examining the accounting nature of financial results should also consider the plane of cash flow, because quite often entrepreneurs and business owners perceive profit as an increase in cash, as the most liquid assets, the value of which, unlike other assets, is not perceived as a subjective accounting estimate. Of course, an increase in cash is often not a reflection of a positive financial result – an increase in cash may be the result of a decrease in other assets or an increase in liabilities. But for the perception of the accounting nature of financial results is fundamental to the fact that profit in the absence of changes in the value of other assets, as well as the amount of other components of equity and liabilities leads to an increase in cash and losses on the same terms lead to a decrease in cash. Thus, if we consider the entire life cycle of the enterprise – from investing some capital in cash to its distribution in cash among the owners during the liquidation, the profit for the owners will be embodied in the additional amount of money they did not invest, but distribute among themselves and the losses will be the corresponding loss of cash of the owners.

Fig. 1 comprehensively presents the three aspects of accounting identification of the category «financial results»,

on which should be built reflections in accounting and reporting presentation of financial results of the enterprise.

The organization of determination in the accounting of financial results is based primarily on the technical aspect of identification of this accounting category, according to the process of determining financial results is preceded by a system of recognition and reflection in the accounting of income and expenses of the enterprise.

It is in the plane of income and expenses recognition is the first fundamental reason for the subjectivity of determining financial results, because the choice of the moment of recognition of income and expenses is not unambiguous.

Theoretically, the recognition of income and expenses can be organized in cash, i. e. by cash flow, and on an accrual basis. If for the calculation period the full economic cycle of the enterprise is accepted, then under certain assumptions the financial result, as an objective value, will be the same if the cash method is used, and if the method of accrual of income and expenses. But in determining the financial result of a particular reporting period (quarter or year), which does not correspond to the full business cycle, in the presence of balances and receivables and payables, the financial result determined by the cash method will differ significantly from the same indicator determined by accrual.

At first glance, the cash method of income and expense recognition is simple, transparent and even «fair», which is why it is still often used almost intuitively by small businesses. Its application avoids a situation in which the recognized profit is embodied in receivables from customers or other low-liquid assets. But the implementation of this method of recognition and accounting of income and expenses in a modern enterprise is a task almost meaningless, because the financial result obtained in such a calculation will be a very questionable indicator. The reason is to ignore the cash gap and the corresponding formation of inventories and current receivables and payables. Thus, if the received prepayment or payment for shipped products (goods) by cash method is considered income of the current period, then to adequately determine the financial results, all costs associated with such goods or products must be paid in the same period as soon as everything is unlikely. It is almost

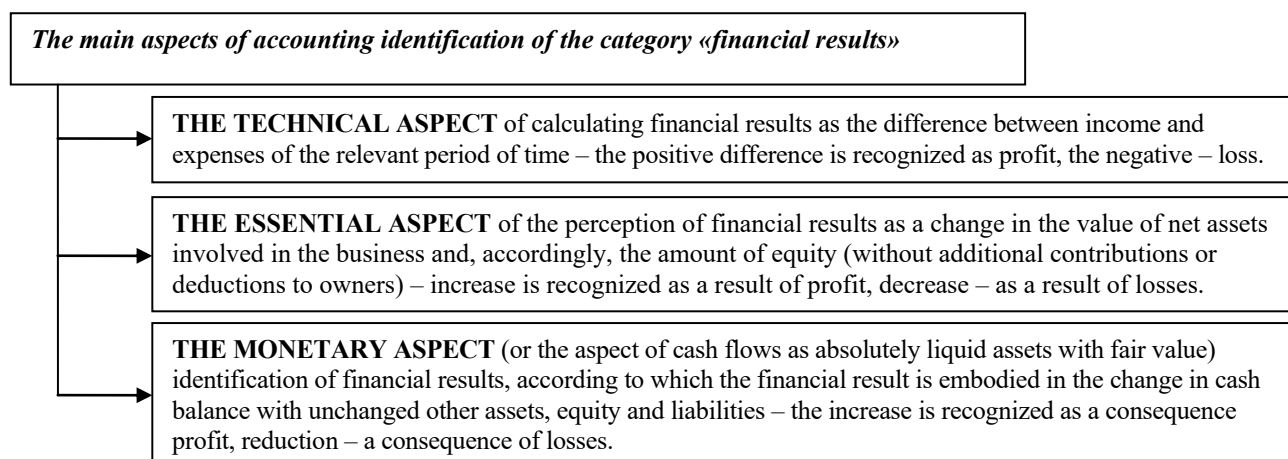


Fig. 1 – The main aspects of accounting identification of the category «financial results»

impossible to combine the logic of depreciation, as a gradual transfer of the value of fixed assets to costs, with the logic of reflection in the cost accounting, because the payment of fixed assets is almost not associated in time with the gradual loss of consumer properties. That is why even theoretically in modern conditions in the accounting of the enterprise it is almost impossible to apply the cash method of accounting for income and expenses. The only viable option, which, unlike the accrual method, will contain elements of the cash method, may be a hybrid method of recognition and accounting for income and expenses, in which income from the sale of assets will be recognized only after receiving cash from the buyer, for which as assets are introduced such as «shipped but unpaid assets».

The solution of the problem aspect of the cash gap in income and expenses in the presence of inventory balances and receivables and payables in modern accounting practice is carried out by applying an alternative to the cash method of determining income, expenses and financial results – the accrual method. This method is the most common in modern world practice of accounting, and is also mandatory for use by enterprises in Ukraine, because in accordance with the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» among the principles of accounting and reporting provides the principle accrual, according to which «income and expenses are reflected in the accounting and financial statements at the time of their occurrence, regardless of the date of receipt or payment of funds» [1].

The application of the accrual method in the recognition of income and expenses fundamentally actualizes another important principle of accounting and financial reporting – «prudence, according to which the valuation methods used in accounting should prevent underestimation of liabilities and costs and overestimation of assets and income of the enterprise» [9]. In this regard, it should be noted that despite other significant shortcomings, the cash method of recognition of income and expenses is deprived of the dependence of income and expenses on subjective accounting estimates of assets and liabilities, because it takes into account cash flows, the size of which is objective, in contrast to the movement, for example, stocks, the assessment of which is already subjective. Similarly, an accounting estimate by amortizing the gradual loss of property, plant and equipment or forming collateral is undoubtedly subjective.

Thus, it is worth paying special attention to the fact that the adoption of the principle of accrual of income and expenses does not fully address the issue of objectivity of financial results, but moves the problem of subjectivity in the plane of individual accounting procedures and estimates, in the plane of so-called accounting policy – «principles, methods and procedures used by the company for accounting, preparation and submission of financial statements» [9].

The scientific literature actively investigates the impact of certain elements of accounting policy on the size of the defined and reflected in the financial result of the enterprise for a particular reporting period. F.F. Butynets and N.M. Maliuha note that «the main elements of accounting policy that most affect the financial performance of the enterprise include: the choice of implementation, determining the method of

estimating the disposal of inventories, determining the method of depreciation» [10, p. 20]. V. Sopko among the most important basic elements of accounting policy that affect the formation and size of financial results, calls such as «methods of estimating inventories at disposal, the method of depreciation of fixed assets, recognition and recognition of expenses and income, creating provisions for future expenses, assessing the degree completion of operations for the provision of services and performance of works, the method of calculating the provision for doubtful debts» [6, p. 141]. In the above-mentioned study L.V. Koval elements of accounting policy are divided into those whose choice «affects the reduction» and «affects the increase in the financial result of the enterprise» [4]. Extremely interesting on this issue is the opinion of S.F. Holov, who studying the so-called «creative accounting», no longer pays attention to the impact of accounting policies on the size of financial results, but on the manipulation of profit, noting that in his opinion, «among accounting estimates most often overestimate the reserve doubtful debts» [11, p. 363].

It is indisputable that the decision to select many elements of accounting policies ultimately affects the amount of recognized financial results of individual reporting periods. At the same time, it should be noted that such an impact is subjective and temporary, because it is not about the full business cycle of the enterprise, but about the assessment of financial results of individual reporting periods. Accordingly, the existing overstatement of financial results of some reporting periods over time is offset by understatement of financial results of other reporting periods or vice versa.

A more thorough study of certain elements of accounting policy suggests that the level and predictability of such effects differ significantly.

Thus, the choice of individual elements of accounting policies unambiguously predicted leads to an increase in the profitability of some reporting periods and a corresponding decrease in the profitability of other reporting periods. For example, the result of choosing between accelerated depreciation methods (residual value reduction method, accelerated residual value reduction method and cumulative method) and the straight-line method of depreciation of fixed assets is quite predictable – the use of accelerated depreciation methods will reduce the profitability of first and higher periods in time periods, and the straight-line method – according to the opposite result.

The result of the influence of other elements of accounting policy is available, but it is not unambiguous, because it depends on the influence of other factors. For example, the effect on the size of the financial results of the choice of inventory valuation method when writing off depends on the dynamics of inventory prices, because only in conditions of constant price increases in the presence of inventory balances using the FIFO method compared to the weighted average cost method to reduce the profitability of more distant periods in time. Keep in mind that if inventory prices continue to fall, the opposite will be true.

There are some elements of accounting policy, the choice of which affects the size of financial results, but given that the direction of such influence depends on several, sometimes

ambiguous or unpredictable factors, clearly predict such impact is almost unrealistic (or really only carefully researching a particular company). Examples of such elements, in our opinion, are the choice of the base of distribution of overhead costs or the choice of the method of depreciation of fixed assets, when it comes to choosing between the production method and other methods, the mathematics of which depends primarily on useful life. It is also worth noting that the choice of individual elements of accounting policies is unlikely to affect the size of the financial results, in particular, the establishment of the size of the materiality limit.

The classification of elements of accounting policy depending on the presence and predictability of the impact on the size of financial results of individual periods, as a result of the study, is presented in table 1.

In addition, it should be noted that given the importance of the impact of accounting policies on the size of defined and reflected in the financial results of the enterprise, the accounting nature of individual elements of accounting policy deserves a separate careful analysis, especially interesting, in our opinion, are elements depends on the action of other factors and conditions.

The issue of the impact of accounting policy elements, including those analyzed above, on the amount of pre-tax profit and, accordingly, corporate income tax, also

deserves special attention. In this area, the issue is resolved ambiguously. First, the presence or absence of such an effect will in principle depend on whether the income taxpayer adjusts the pre-tax financial result determined in the financial statements for differences that arise in accordance with the provisions of the Tax Code of Ukraine. If not, the pre-tax financial result will have the same effect as the financial results determined in the accounting. If an adjustment is made, the effect of the individual elements of the accounting policy will be offset by the adjustment, the effect of the individual elements will be maintained, and the effect of the individual elements will be limited in some way. The relevant issue deserves a separate analysis and can be selected as a promising area for further research.

Conclusions

Financial results are an extremely important accounting category and object of accounting of enterprises, because it is an integral indicator of performance, which reflects the achievement of the goal of entrepreneurial activity. Construction of a quality system for determining financial results in accounting and their presentation in the reporting should be based on the accounting essence of this category. In our opinion, such identification can be made as follows: the financial results of the enterprise (profit

Table 1 – Classification of elements of accounting policies depending on the presence and predictability of the impact on the size of financial results of individual periods

Type of accounting policy elements	Examples of relevant accounting policy elements	Normative document that regulates the domestic accounting practice of applying the relevant element of accounting policy
Elements of accounting policy, the choice of which clearly affects the size of the financial results of individual reporting periods	Choice of depreciation method for fixed assets (except for the choice of production method)	Regulation (standard) of accounting 7 «Fixed assets»
	Choice of method of accrual of amortization of intangible assets (except for the choice of production method)	Regulation (standard) of accounting 8 «Intangible assets». Regulation (standard) of accounting 7 «Fixed assets»
	The choice of method of accounting for financial costs – attribution to the costs of the current period or capitalization of costs associated with the creation of a qualifying asset	Regulation (standard) of accounting 31 «Financial expenses»
Elements of accounting policies, the choice of which affects the size of the financial results of individual reporting periods, but the direction of such influence depends on additional factors, although it is quite predictable	Choice of inventory valuation method when writing off	Regulation (standard) of accounting 9 «Inventories»
	Choice of method for assessing the degree of completion of operations for the provision of services (performance of works)	Regulation (standard) of accounting 15 «Income»
	Determination of normal capacity and the amount of fixed overhead costs at normal capacity	Regulation (standard) of accounting 16 «Costs»
Elements of accounting policies, the choice of which affects the size of the financial results of individual reporting periods, but the direction of such influence depends on many factors and is unpredictable	Selection of the base of distribution of overhead costs	Regulation (standard) of accounting 16 «Costs»
	Choice of method of accounting and distribution of transport and procurement costs – individual distribution or application of the average percentage of transport and procurement costs	Regulation (standard) of accounting 9 «Inventories»
	The choice of depreciation method for fixed assets, provided the choice between the production method and methods based on certain useful lives of the object	Regulation (standard) of accounting 7 «Fixed assets»
Elements of accounting policy, the choice of which has little effect on the amount of financial results of individual reporting periods	Establishing the materiality limit	Letter from the MFU dated July 29, 2003. № 04230-04108
	The choice of the method of reflecting exchange differences on the date of the transaction – in its volume or for the entire article	Regulation (standard) of accounting 21 «Impact of changes in exchange rates»

or loss) is technically the difference between income and expenses incurred by the enterprise for a certain period of time, which leads to changes in net assets and equity (excluding equity) additional contributions or withdrawals by owners), as well as to change the amount of cash as absolutely liquid assets with fair value, subject to constant other assets, equity and liabilities.

The main reason for the subjectivity of the definition in the accounting of financial results should be recognized the need to calculate the results for individual reporting periods in the continuation of the enterprise, respectively, the presence and subjective assessment of balances of assets and liabilities leads to subjectivity in assessing the financial result one or another reporting period.

The question of the subjectivity of the determination of financial results is logically related to the determination of the moment of recognition of income and expenses, because theoretically it can be done either in cash, by cash flow, or on an accrual basis. In modern accounting practice, the method of accrual dominates, because it is believed that the thus determined indicator of financial results at a significantly higher quality level reflects the results of activities, partially solving the problem of subjectivity of evaluation of such results.

At the same time, it should be noted that the adoption of the method of accrual to reflect in the accounting

of income and expenses does not solve the problem of subjectivity in determining the financial results of individual reporting periods, but moves the problem to the plane of accounting policy.

The formation of accounting policies in terms of the choice of many elements ultimately affects the amount recognized in the financial results of individual reporting periods. It is also worth noting that the level and predictability of such impact individual elements of accounting policies differs significantly. Accordingly, in the course of the study, a classification of elements of accounting policy was developed and presented depending on the availability and predictability of the impact on the size of financial results of individual periods. Classification involves the separation of elements of accounting policies that have a clearly predictable effect on the size of financial results, elements whose impact on the size of financial results is predictable, but depends on other factors, elements that affect the size of financial results, but the direction of influence depends on many factors and is unpredictable, as well as elements that do not affect the size of financial results. This classification is useful in the formation of the accounting policy of enterprises, because it allows you to prospectively assess the impact of selected elements of accounting policy on the process of recognition in the accounting of financial results and understand a certain subjectivity of such recognition.

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