

UDC 330.123.7

DOI <https://doi.org/10.26661/2414-0287-2022-1-53-11>

FIXED ASSETS OF THE ENTERPRISE: ECONOMIC CONTENT, CLASSIFICATION AND REGULATORY REGULATION

Proskurina N.M., Pushkar I.V.

Zaporizhzhia National University

Ukraine, 69000, Zaporizhzhia, Zhukovsky str., 66

profautitzp@ukr.net, iv_pushkar@ukr.net

Key words:

fixed assets, accounting,
classification, production,
operation, regulatory requirements

The article reveals the essence of fixed assets. The grouping of fixed assets by criteria has been studied. The economic essence of fixed assets is revealed. The classification of fixed assets into material categories is considered: non-residential buildings; residential buildings; buildings; machines and equipment; vehicles designed to move goods and people; production and household inventory; productive, breeding, working cattle; perennial plantings. Classification features of fixed assets, depending on their participation in the economic activity of the enterprise. The process of formation of the active part of fixed assets with the help of working machines and equipment, technical facilities, measuring instruments and devices directly involved in the production process is reflected. The current legislative and legal framework for accounting and the system of taxation of fixed assets has been studied and systematized in order to determine the vectors of its further development and improvement. The analysis is carried out on the basis of such normative - legal acts, such as: Tax Code of Ukraine (TCU), National Accounting Regulations (Standards) (NP (S) BU), International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) . The study was conducted using methods of systematization and generalization. The key problematic aspects of the classification of fixed assets in the context of their place and role in the accounting process of the enterprise within the existing legal field in Ukraine are highlighted.

ОСНОВНІ ЗАСОБИ ПІДПРИЄМСТВА: ЕКОНОМІЧНИЙ ЗМІСТ, КЛАСИФІКАЦІЯ ТА НОРМАТИВНО-ПРАВОВЕ РЕГУЛЮВАННЯ

Проскуріна Н.М., Пушкар І.В.

Запорізький національний університет

Україна, 69600, м. Запоріжжя, вул. Жуковського, 66

Ключові слова:

основні засоби,
облік, класифікація,
виробництво, експлуатація,
нормативні вимоги

У статті розкрито сутність основних засобів. Досліджено угруповання основних виробничих засобів за критеріями. Розкрито економічну сутність основних виробничих засобів. Розглянута класифікація основних засобів до матеріальних категорій: нежитлові будинки; житлові будинки; споруди; машини та обладнання; транспорт, призначений для переміщення вантажів та людей; виробничий та господарський інвентар; продуктивна, племінна, робоча худоба; багаторічні насадження. Виділено класифікаційні ознаки основних виробничих засобів, залежно від їх участі у господарській діяльності підприємства. Відображено процес утворення активної частини основних засобів за допомогою наявності робочих машин та обладнання, технічних споруд, вимірювальних приладів та пристроїв, безпосередньо задіяних у виробничому процесі. Досліджено та систематизовано діючу законодавчо-правову базу з питань ведення бухгалтерського обліку та системи оподаткування основних засобів з метою визначення векторів її подальшого розвитку та удосконалення. Проведено аналіз на основі так нормативно – правових актів, таких як: Податковий кодекс України (ПКУ), Національні Положення (стандарти) бухгалтерського обліку (НП(С)БО), Міжнародні стандарти бухгалтерського обліку (МСБО), Міжнародні стандарти фінансової звітності (МСФЗ). Дослідження відбувалося з використанням методів систематизації та узагальнення. Виділено ключові проблемні аспекти класифікації основних засобів в контексті їх місця та ролі в обліковому процесі підприємства в межах існуючого правового поля в Україні.

Formulation of the problem

Both the financial and property condition of the enterprise depends on the effective use of fixed assets. This necessitates improving the quality of accounting information and the efficiency of its receipt for use in all enterprise management.

Historically, the principles and objectives of fixed asset accounting have been constantly changing due to changes in the economic situation and political system of the country. Today we can mark a new stage in the development of accounting, which is associated with the introduction of IFRS by reviewing the priorities of financial reporting in general and the state of assets in particular, the emergence of fair value and its gradual introduction into business and accounting processes. That is why there is an urgent need to study the classification of fixed assets for the purposes of accounting for fixed assets and preparation of financial statements in enterprises in the context of changes in the legal regulation of fixed assets.

Analysis of recent research and publications

Well-known works of domestic scientists: F. Butynets, P. Haidutsky, V. Zhuk, G. Kireitsev, V. Mossakovsky, M. Ogiychuk, L. Suk and others are devoted to the theory and methodology of fixed assets accounting.

The vast majority of modern domestic scientists and economists who dedicate their work to the accounting and analytical aspects of fixed assets, the subject of their research choose issues related to the organization and methods of accounting for fixed assets of industrial enterprises. Thus, S. Kafka [2], D. Kuzmin [3] V. Mishura and A. Spitsyn [4] study the classification and economic essence of the very concept of fixed assets; G. Vlasyuk [1] and R. Ostroverkha [6] focus on the theoretical and practical aspects of the organization of accounting for fixed assets; N. Potryvaeva and V. Pogorelova [7] consider the problems of accounting for fixed assets in the system of current state legislation; I. Svyatenko [8] raise the issue of forming the accounting policy of the enterprise regarding the accounting of fixed assets; S. Skomorokhova, S. Nikolaenko, L. Heivych [9] and O. Shchyrska [12] dive in detail into the issue of accounting and control of depreciation of fixed assets; A. Ozeran, and R. Korshikova [5], K. Utenkova [11] and Yu. Susidenko [10] dedicates his work to the harmonization of the requirements of the NP (S) BU of Ukraine with IFRS for the accounting of fixed assets and other scientists and economists.

Highly appreciating the scientific contribution of these scientists, it should be noted that the identified issues require further intensification of research to adapt existing principles and objectives of accounting to the needs of efficient and rational use of fixed assets in accordance with the principles and requirements of international standards. Therefore, the primary task of research on this topic is to achieve an understanding of the essence of fixed assets and compliance with the requirements of regulations on their accounting process.

Formulation of goals

The purpose of the article is to reveal the essence of fixed assets as an economic category and research and critical analysis of the classification of fixed assets through the prism of the required regulatory framework for accounting for fixed assets in modern business conditions.

Presentation of the main material of the research

It is difficult to overestimate the role of efficient use of fixed assets in the enterprise. Effective use of fixed assets involves: increasing the level of production, increasing the return on existing production capacity, the fullest satisfaction of consumer needs, reducing the cost of production (services), increasing the profitability of production and savings.

It is believed that fixed assets, as an economic category, are part of the means of production, ie are actually means of labor. Using the means of labor in the production process, man (or technology) influences the objects of labor, modifying them to achieve a certain goal. From the objects of labor, the means of labor differ in that they repeatedly participate in the production process, while retaining their natural material form, and partially wear out, transferring their value to the finished product. In addition, their peculiarity lies in the fact that they do not have the general interchangeability that is characteristic, for example, of a potential workforce.

In the scientific literature on research, and in the process of practical use, the definition of means of labor are mainly used such terms as: «fixed assets», «fixed assets», «fixed capital».

I. Sviatenko claims that fixed assets are one of the most important factors of any production, and their condition and efficient use directly affects the final results of economic activity of the enterprise. More complete and rational use of fixed assets of the enterprise contributes to the improvement of all technical and economic indicators: increasing productivity, increasing return on assets, increasing output, reducing its cost, saving capital investment [8].

In terms of economic category, V. Mishura and A. Spitsyn define fixed assets as part of fixed production capital, which takes the form of means of labor and gradually, over many production cycles, transfers its value to the manufactured product [4].

Fixed assets are a set of material objects and values that operate in unchanged natural form for a long period [1]. Fixed assets are part of the enterprise's assets used as means of labor in the production, performance or provision of services, or management of the organization for a period exceeding one year or the normal operating cycle, if it is more than twelve months [6].

D. Kuzmin notes that after the abolition of the concept of «fixed assets» the concept of «fixed assets» acquires in any case a materialized form that does not contradict its meaning, so fixed assets should be understood as actually available fixed assets and their value in accounting [3].

Fixed assets are the most important factor in the production and acceleration of scientific and technological

progress. The economic and social importance of fixed assets at the macro level is explained as follows:

- fixed assets are a significant part of the national wealth of the country;
- competitiveness of domestic products and production efficiency depend on the size of fixed assets and their quality;
- the level of mechanization and automation of labor depends on the quantitative and qualitative state of fixed assets of the enterprise;
- the rate of economic growth depends on the quantitative and qualitative state of fixed assets;
- economic security of the country and its defense capability depends on the availability of sufficient fixed assets.

Fixed assets have a significant role at the micro level, for example, the value of their value and quality directly depend on: production capacity, output and sales, product quality and competitiveness, cost of production and profitability, financial and economic condition enterprises.

In our opinion, the economic essence of fixed assets is multiple participation in the production process; material embodied in the means of labor; transferring its value to the value of products (manufactured); maintaining the natural shape for a long time as it wears out; reimbursement, taking into account depreciation deductions, after the end of the established useful life.

In order to keep records of fixed assets and compile reports, plan their reproduction, conduct revaluations and inventories in practice, it is necessary to somehow group fixed assets by individual characteristics into homogeneous groups, ie to classify. Under the classification of fixed assets should be understood as grouping them on certain grounds into qualitatively homogeneous groups. Classification facilitates the current accounting of fixed assets, simplifies reporting on the availability and movement of fixed assets [4].

Modern scientists [9, 11] define a multilevel classification of fixed assets, which can at least be expanded, because the features that can distinguish one object from another, are extremely many. But it should be noted that in each case it is necessary to limit the classification of objects, based on the principle of reasonable expediency.

The main classification features (criteria) include the following: by type, life cycle of the object, ownership of it, the method of acquisition and origin, the degree of uniqueness, functional purpose and more. Consider how the grouping of fixed assets by some of the above criteria.

The active part of fixed assets include machinery, equipment, measuring and regulating devices and devices, etc. To the passive part – those groups of fixed assets that create conditions for the normal production process (buildings, structures, transmitting devices, etc.).

Carrying out various activities, companies feel the need for different types of fixed assets. Fixed assets are economically homogeneous. However, they differ in: purpose and purpose; natural and material characteristics in the production process; terms of reproduction and features that require their classification.

The main means of production are divided into: active and passive part. Let's show schematically this classification (Fig. 1).

The nature and classification of fixed assets determine their role in the labor process. They characterize the production capacity of the enterprise and determine the level and scale of technical equipment. The increase in fixed assets will increase these indicators. Their renewal and improvement is the most important condition for the production of high quality products with reduced labor costs, increased productivity and reduced production costs. Classification of fixed assets is based on their types and purposes.

Fixed assets are also quite logical to divide into two types: tangible and intangible. It depends on their purpose

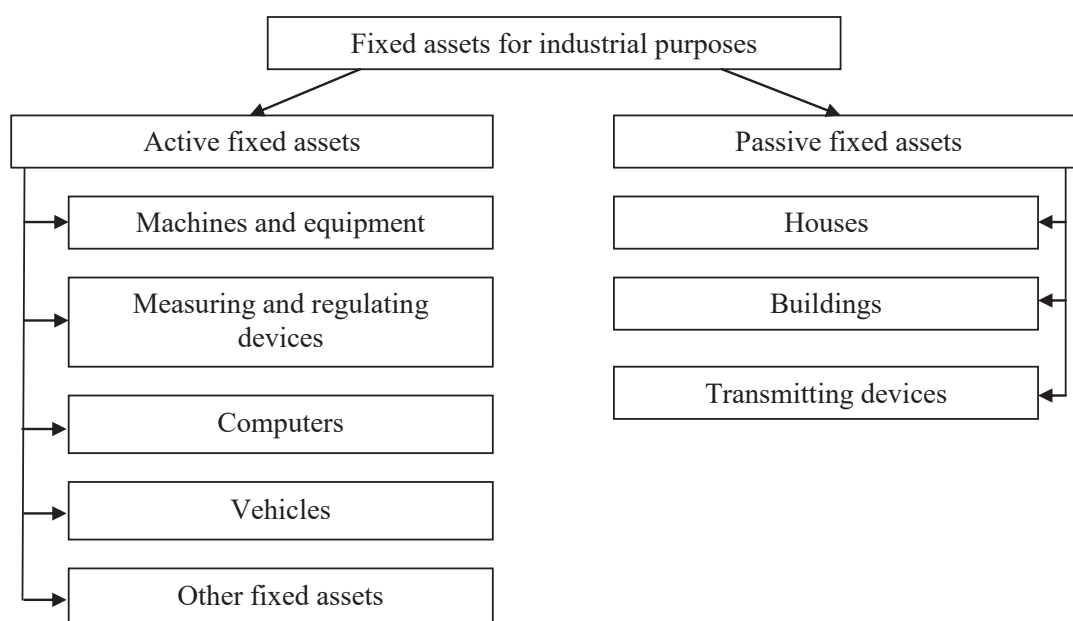


Fig. 1 – Classification of fixed assets of the enterprise

and use in the organization. Thus, the classification of fixed assets to the material category includes the following objects:

1. Non-residential buildings – facilities designed to create working conditions, storage of material values (houses of factories, warehouses, pumping stations, laboratories, etc.).

2. Dwelling houses – objects intended exclusively for temporary residence.

3. Buildings – engineering and construction facilities that ensure the implementation of production. In this case, they mean individual structures, including devices that form a whole (bridges, oil wells, main pipelines, etc.).

4. Machinery and equipment – devices designed to convert information, energy, materials. This group of fixed assets should be divided into two subgroups:

– power machines and equipment – objects that produce or convert energy;

– working machines and equipment – technological equipment, information equipment (computers, information storage, office equipment, communication systems equipment, etc.).

5. Transport designed to move goods and people: cars, locomotives, ships, icebreakers, buses, trailers, aircraft.

6. Production and household equipment. The first type includes containers used for storing liquids, containers for bulk materials, as well as furniture designed to facilitate production operations. The second type includes objects that are not used in the production process (fire items, watches, etc.).

7. Productive, breeding, working cattle – include animals that are repeatedly or continuously used for food (cows, pigs, sheep), as well as animals-producers. This group does not include young animals and cattle for slaughter.

8. Perennial plantings – green plantations (park trees, vegetation that forms alleys, etc.).

Classification and structure of fixed assets excludes from their composition the following:

– all items that have a service life of less than one year;

– items worth less than 20,000 hryvnias per unit (from 23.05.2020, according to item 14.1.138 of the TCU). At the same time, it should be remembered that agricultural machinery, mechanized construction tools, productive and working cattle are the main means, even if their value is less than the specified amount;

– temporary structures, devices – are overhead and are included in the cost of construction and installation;

– machines and equipment that are considered as finished products in warehouses that are on the road or put into installation.

The classification of fixed assets includes two parts depending on their participation in the economic activities of the enterprise. Thus, working machines and equipment, technical facilities, measuring instruments and devices are directly involved in the production process. They form the active part. Buildings and equipment have an indirect impact on production. They are the passive part. The share of the active part shows the level of technical excellence, production capacity, capabilities of the enterprise. The

share of each part can be distinguished from the structure of fixed assets.

According to the degree of use, the classification and structure of fixed assets is divided into objects that: 1) are in operation – fixed assets listed on the balance sheet of the enterprise; 2) are in reserve – fixed assets temporarily decommissioned; 3) are under reconstruction, partial liquidation; 4) are on conservation.

According to ownership, fixed assets are classified as follows: owned enterprises; which are in operational management and economic management; leased without redemption.

In the scientific literature [4; 6; 9; 12] the classification of fixed assets with their participation in the production process is considered. On this basis, there are two types of objects – production and non-production. The first type operates in the field of material production. Such facilities are involved in the production process repeatedly. They gradually wear out. Their value is transferred to the finished product. This is partly due to the degree of use. The second type is not involved in the production process. The cost of fixed assets decreases during operation. These include houses intended for housing, or they have a cultural and household purpose and are listed on the balance sheet of the organization. Such fixed assets do not have a direct impact on production, but indirectly affect the results of the enterprise. They are associated with improving the welfare and working conditions of workers. As a result, it will have a positive effect on the final performance of the enterprise.

S. Kafka notes that most authors classify fixed assets by purpose, distinguish between productive and non-productive fixed assets [2]. It should be noted that the regulations governing the accounting of fixed assets do not contain a criteria for the division of fixed assets into objects of production and non-production sphere. Why so? Because different companies have different management goals. Some will use fixed assets in production, others in the non-manufacturing sector. Or the situation when the object of fixed assets is used by the enterprise in economic activity for the purpose of receiving income, both in the production and in the non-production sphere. For example, recreation center – rehabilitates employees of the enterprise and provides services to third parties or business entities on the basis of a contract; motor transport – takes employees of production shops and workers of the canteen, medical center, sports complex to work; transformer substation – serves production shops and dormitory or hospital of the enterprise. In our opinion, the division of fixed assets into productive and non-productive is extremely conditional. Given the correctness of the conceptual apparatus, increasing the level of reliability of disclosure in financial statements, the transition to IFRS, more appropriate is the classification in terms of participation of fixed assets in income, namely: fixed assets 1) used in income; 2) partially used in income; 3) are not used to generate income.

In addition, such a division makes it possible to classify the objects of the first two groups depending on the activities in which fixed assets are used in relation to the object of VAT – fixed assets used in transactions subject to VAT or fixed funds used in transactions that are

not subject to VAT. This division of fixed assets has value in the context of the requirements of tax legislation in the commissioning of fixed assets, depreciation, determination of financial results.

Given the proposed classification of fixed assets from participation in the income of the enterprise, it is urgent to divide the fixed assets depending on the source of income of the enterprise into two groups: objects used in operating activities and, accordingly, have the opportunity to participate in the optimization process expenses for the purpose of taxation of the enterprise's profit and objects that generate income, such as investment real estate transactions. Such a classification will facilitate the prompt generation of information in the notes to the financial statements of property, plant and equipment.

Successful classification of fixed assets affects the effective organization of accounting for fixed assets, which in turn should provide:

- clear documentation and timely reflection in the accounting registers of receipt, transfer, liquidation and disposal of fixed assets;
- the strictest systematic control over the preservation of each object of fixed assets and the efficient use of machinery, equipment, vehicles and production areas;
- correct calculation and timely reflection in the accounting of depreciation deductions and depreciation amounts of fixed assets;
- correct reflection of the cost of repair of fixed assets [6].

G. Vlasjuk [1] believes that the accounting of fixed assets should provide: control over the storage of fixed assets; timely, correct documentation of the reflection in the accounting of fixed assets (funds), their internal movement (from shop to shop, from warehouse to warehouse, from department to department, etc.), efficient use, disposal (liquidation, sale, free transfer); timely (monthly) reflection in the accounting of depreciation (amortization) of fixed assets; reflection in the accounting of expenses for repair of fixed assets; determination of the results of liquidation, as well as losses from the write-off of not fully depreciated fixed assets; identification of redundant and obsolete fixed assets.

The choice of accounting methodology for fixed assets, in particular the adequacy of their recognition criteria and valuation principles, affects a number of important analytical indicators that characterize, in particular, the state of financial balance between assets and liabilities [5].

Accounting for fixed assets of the enterprise is regulated by current regulations:

- for enterprises that use NP (S) BU – NP (S) BU7 «Fixed assets»; NP (S) BU14 «Rent»; NP (S) BU27 «Non-current assets held for sale and discontinued operations»; NP (S) BU28 «Impairment of assets»; TCU (item 14.1.138; subsection 4 of section XX); Methodical recommendations on accounting of fixed assets (IFI Order of 30.09.2003 № 561); The procedure for drawing up standard forms for accounting and write-off of fixed assets by public sector

entities (IFI Order of 13.09.2016 № 818); On approval of standard forms of primary accounting (Order of the Ministry of Statistics of December 29, 1995 № 352), etc. ;

- for enterprises that apply IAS – IAS16 Property, Plant and Equipment; IFRS5 «Non-current Assets Held for Sale and Discontinued Operations»; IFRS16 Leases.

The structure of normative regulation of accounting and analytical operations with fixed assets is quite successfully presented by Yu. Susidenko [10], highlighting the relevant levels:

- Level I – Laws of Ukraine;
- Level II – NP (S) (BU) and other regulations approved by orders of the IFI of Ukraine;
- III level – normative-legal acts of other bodies, approved on the basis of NP (S) BU;
- Level IV – decisions on the organization of accounting at the enterprise level.

According to the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» (Article 4) and paragraph 18 P (S) BU1 «General requirements for financial reporting» accounting and financial reporting in Ukraine is based on ten basic principles. These principles are an important element of the accounting methodology and the basis for the development of uniform rules of accounting and reporting in Ukraine. They are interconnected and ensure the use of accounting in the microeconomic environment to perform its functions. The accounting of fixed assets of enterprises is based on these principles.

We support K. Utenkova [12], who summarizes that the current state of accounting for fixed assets in Ukraine to some extent meets the requirements of IFRS, but has some differences. This situation is quite natural, as the process of adapting the regulatory framework of Ukraine to the requirements of international accounting and reporting standards continues. In our opinion, at this stage it is important to understand the need for Ukraine's direct participation in the process of forming international standards in order to take into account national interests.

Conclusions

Modern business conditions require each company to successfully manage fixed assets and find new reserves to improve their efficiency. Solving this problem encourages management staff to careful analytical accounting work, which allows you to identify and implement both internal potential and external sources.

The study of the role and place of existing classification of fixed assets in the accounting process of the enterprise on the basis of scientific sources, regulations governing accounting, allowed to re-evaluate their own understanding and clarify the components of individual classification features. The proposals will be useful in the preparation of accounting, management and financial reporting, as well as in the analysis of the effectiveness of the use of fixed assets in the enterprise.

References

1. Vlasjuk G.V., Zimina O.I. Ways to improve the accounting of fixed assets. *State and regions*. 2008. № 4. P. 32–36.
2. Kafka S.M. Fixed assets: classification for accounting purposes. *Bulletin of ZhSTU. Series: Economic Sciences*. 2013. № 1(63). P. 87–92.

3. Kuzmin D.L. Fixed assets and fixed assets: a comparative aspect. *Problems of theory and methodology of accounting, control and analysis*. 2012. No. 2(23). P. 148–155.
4. Mishura V.B., Spitsyn A.E. Evolution of the concept, classification and economic essence of the concept of fixed assets. *Scientific Bulletin of the DSEA*. 2017. № 2(23E). P. 148–154.
5. Ozeran A.V., Korshikova R.S. Harmonization of requirements of P (S) BU of Ukraine with IFRS on accounting for fixed assets. *Scientific and practical publication «Independent AUDITOR»*. 2016. № 15(I). P. 54–61.
6. Ostroverkha R.E. Ways to improve the organization of accounting for fixed assets. *Scientific Bulletin of the National University of the State Tax Service of Ukraine (economics, law)*. 2009. № 4(47). P. 133–140.
7. Potrigaeva N.V., Pogorelova V.V. Modern problems of accounting for fixed assets in the system of current legislation. *Innovative economy*. 2014. № 3. P. 228–232.
8. Svyatenko I.M. Formation of the accounting policy of the enterprise concerning the accounting of fixed assets. *Problems and prospects of business development*. 2014. № 1. P. 143–147.
9. Skomorokhova S.Yu., Nikolaenko S.M., Geyvykh L.V. Modern concept of depreciation policy of the enterprise. *Scientific Bulletin of Kherson State University*. 2014. № 4. P. 65–67.
10. Susidenko Yu.V. Regulation of accounting and control support of non-current assets of the enterprise. *Eastern Europe: Economy, Business and Governance*. 2017. No. 5(10). P. 155–159.
11. Utenkova K.O. Accounting for fixed assets according to national and international standards. *Accounting and finance*. 2014. № 2(64). P. 79–83.
12. Shchyrskya O.V. Problems of modern accounting of fixed assets and their taxation in Ukraine. URL: <http://nasoa.edu.ua/wp-content/uploads/periodicals/b-obl/141/44.pdf>