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INFLUENCE OF ACCOUNTING POLICY ON THE FINANCIAL CONDITION AND FINANCIAL RESULTS OF THE ENTERPRISE'S

Proskurina N.M., Hnidkova A.V.

Zaporizhzhia National University
Ukraine, 69600, Zaporizhzhia, 66 Zhukovsky St.
profauditp@ukr.net, nastya.gn07@gmail.com
ORCID: 0000-0001-8674-1720

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The article is devoted to the study of the importance of accounting policy in the formation of the financial results of the enterprise and the assessment of its financial condition. The basic elements of the accounting policy were considered, and their impact on the indicators of the company's financial reporting was analyzed. The dependence between the chosen methods, techniques of management and organization of accounting, defined in the accounting policy of the enterprise, and its financial results were established. The issue of the methodical aspect of setting up an accounting policy, determining different options for displaying the facts of the economic activity of the enterprise in the accounting, based on alternative estimation methods and principles of the articles of financial reporting, in accordance with enterprise's activity, is considered. The main purposes and tasks of the chosen direction of the accounting policy are determined that are characterized by the most adequate reflection of the enterprise's activity, the formation of complete, objective and reliable information about the activity, and as a result, its effective regulation in the future according to stakeholders' interest. The positive aspects of the impact of an effectively aligned accounting policy on the enterprise's activity and profitability were established. A number of impact features of selected elements of the company's accounting policy on its financial condition and financial results are highlighted. Through the result of the conducted research, it was proved that when setting up the optimal model of the accounting policy and its subsequent proper use as a tool for the formation of financial statements, the adopted accounting policy will have a positive effect both on individual improvements of selective aspects of the economic activity of separate divisions, and on the general financial condition, financial results of the enterprise and its overall profitability.

ВПЛИВ ОБЛІКОВОЇ ПОЛІТИКИ НА ФІНАНСОВИЙ СТАН І ФІНАНСОВІ РЕЗУЛЬТАТИ ДІЯЛЬНОСТІ ПІДПРИЄМСТВА

Проскуріна Н.М., Гнідкова А.В.

Запорізький національний університет
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66

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Стаття присвячена дослідженню значенню облікової політики при формуванні фінансових результатів діяльності підприємства та оцінці його фінансового стану. Розглянуто базові елементи облікової політики, проаналізовано їх вплив на показники фінансової звітності підприємства. Встановлено залежність між обраними методиками, техніками ведення та організації бухгалтерського обліку, визначеними у обліковій політиці підприємства, та його фінансовими результатами. Розглянуто питання методичного аспекту складання облікової політики, визначення варіантів відображення в бухгалтерському обліку, тих чи інших, фактів господарської діяльності підприємства, виходячи з альтернативних способів, прийомів та принципів оцінки статей фінансової звітності, відповідно до специфіки діяльності підприємства. Визначено основні призначення та завдання обраного спрямування облікової політики, які характеризуються максимально адекватним відображенням діяльності підприємства, формуванням повної, об'єктивної і достовірної інформації про діяльність, і як наслідок, ефективним її регулюванням в подальшому в інтересах кола зацікавлених користувачів. Встановлено позитивні аспекти впливу, ефективно зіставленої, облікової політики на діяльність

підприємства, його рентабельність. Виділено ряд особливостей впливу обраних елементів облікової політики підприємства на його фінансовий стан та фінансові результати.

В результаті проведеного дослідження доведено, що при складанні оптимальної моделі облікової політики та її подальшому належному застосуванні, як інструменту формування фінансової звітності, прийнята облікова політика матиме позитивний вплив як на окремі покращення вибіркового аспектів господарської діяльності окремих підрозділів, так і на загальний фінансовий стан, фінансові результати діяльності підприємства та його загальну рентабельність.

Statement of the problem

The management staff of each enterprise is interested in setting up high-quality and objective financial reporting for its further use in the effective management of the enterprise's financial and economic activities because this information serves as a visual reflection of its financial stability and profitability, and therefore, is the basis for taxation.

The aspects listed above determine the relevance of this issue, its further research in terms of the influence of various elements of accounting policy on the financial condition and financial results of the enterprise, reduction of the difference between the nominal and real value of the enterprise's profit recorded in the financial reporting, which becomes inevitable when implementing various methodological techniques of accounting policy.

Analysis of recent studies and publications

The problem of influence of accounting policy on the financial condition and financial results of the enterprise was investigated by a large number of both domestic and foreign scientists in their works. This topic was directly reflected in the research of Bukalo N. [1], Veryha Yu. A., Kulyk V. A., Nochovna Yu. O., and Ivaniuk S. Yu. [2], Hrabovenko O. A., Varchuk O. A. [3], Zorina O. A., Petrakovska O. V., Yurchenko A. [4], Len V. S., Hlyvenko V. V. [5], Myronova Yu. Yu., Prut A. Yu., Shynkar Yu. L. [7], Pushkar M. S. and Shchyrba M. T. [12], Tesak O. V. [13].

During the study of influence of accounting policy methods on financial results, scientists proved that a well-formed accounting policy of the enterprise opens up opportunities for choosing methodological techniques that can significantly change the indicators of the financial results of the enterprise. It should be noted that "it is the professionalism of setting up the accounting policy, the accurate consideration of the conditions of the company's activity and its organizational and technical features in it that provides the completeness and truthfulness of the information provided regarding the financial results and financial condition of the company in its financial reporting" – this position was adhered to by Veryha Yu. A., Kulyk V. A., Nochovna Yu. O., Ivaniuk S. Yu. in their research [2, p. 178].

Note that Bukalo N., Len V. S. and Hlyvenko V. V. in their works reveal the main methodical aspects of the researched topic, the essence of the concept of "accounting policy", its main purpose and the components it contains [1; 5]. We can observe the study of the issue in terms

of the problems of forming the company's accounting policy in the works of Grabovenko O. A., Warchuk O. A., Myronova Yu. Yu., Prut A. Yu. and Shynkar Yu. L. [3; 7]. As for the position of effective use of accounting policy as a tool for organizing accounting at the enterprise, these aspects are reflected in the works of Zorina O. A., Petrakovska O. V., Yurchenko A., and Tesak O. V. [4; 13]. Pushkar M. S. and Shchyrba M. T. determine the direct dependence of the financial state of the enterprise on the adopted methodology in the accounting policy in their works [12].

The legislative side of this issue is of the same importance because after the implementation of the National accounting regulation (standard) 1 "General requirements for financial reporting" from 03/19/2013, approved by the Ministry of Finance of Ukraine No. 73 of 02/07/2013 [8] and its subsequent editorial versions (the latest edition is dated 08/10/2021), the improvement of documents on the accounting policy of the enterprise, despite the long period of implementation of the given national standard, is and will be a relevant topic for research. The above-mentioned changes in the regulatory framework determine new studies of the impact of the accounting policy of the enterprise on the formation of its financial results, taking into account the legislative consolidation of the possibility of applying international financial reporting standards in our country, the latest changes in national standards and innovations in the Ukrainian legislation related to the Tax Code of Ukraine [9].

Objectives of the article

The aim of the article is to study the main methods of influence of the enterprise accounting policy on the value of its profitability, expressed in the final values of the financial condition and financial results of the enterprise, taking into account the legislative basis, the use of the National Provisions (standards) of financial reporting in Ukraine and recent changes in the legislation of Ukraine, in particular on taxation issues.

The main material of the research

The desired end result of the entrepreneurial activity of any enterprise is obtaining a positive financial result and a stable financial state. The above-mentioned indicators are directly influenced by the well-designed accounting policy of the enterprise, namely, its appropriately chosen elements, principles, methods and procedures.

According to the current Law of Ukraine "On Accounting and Financial Reporting in Ukraine", "accounting policy

is a set of methods, principles and procedures used by a company to prepare and submit financial reporting. The company-defined rules for evaluating reporting items are described in the administrative document on the accounting policy. Also, the document portrays the methods of accounting for individual objects that affect the amount of the financial result and financial condition of the company for the reporting period” [10].

The regulation of setting up and determining the accounting policy of the enterprise is carried out in accordance with the National regulation (standard) of accounting 1 “General requirements for financial reporting”.

In turn, the Ministry of Finance of Ukraine in letter No. 31-34000-10-5/27793 dated 21.12.2005 “On accounting policy” [11] offered a list of estimation options, procedures and accounting that should be contained in the enterprise administrative document about its accounting policy.

According to the relevant Methodological recommendations regarding the accounting policy of the company, “the regulatory document includes the following main aspects: the principle of allocation and accounting of procurement and transport costs, accounting of procurement and transport costs on a separate sub account; noncurrent assets and methods of their revaluation; cost characteristics of objects that are included in low-value tangible noncurrent assets; the frequency of calculating the weighted average cost of stock; stock write-off and methods of its assessment; the approach to calculating the reserve of doubtful debts (if necessary, the method of calculating the coefficient of doubtfulness); methods of amortization of fixed assets and non current tangible or intangible assets; the procedure and objects of the inventory; selection of a unit of stock analytical accounting; the procedure for accounting for deferred tax assets and liabilities; the methodology of the procedure for accrual of revaluation amounts of non current assets to retained earnings; an approach to determining the level of completion of service provision operations; the set and structure of general production costs, both fixed and variable, the basis of their distribution; a set of provisions for future expenses and payments to be created; set and structure of articles for determining the production cost of services and works; date of determination of financial assets that have been acquired as a result of systematic operations; segments of activity and their priority types, pricing principles of internal economic calculations; the basis for the allocation of costs for transactions with equity instruments; quality criteria and indicators of materiality of information regarding economic transactions, events and items of financial reporting; approach to setting up a cash flow report; methods of attributing costs for improving the property of fixed assets to the original cost or costs of the reporting period” [6].

The above-mentioned aspects emphasize that the accounting policy of the enterprise is an integral factor in designing quality indicators of economic activity, indicators of the financial condition, profit and cost of production, taxes, etc. depend on it. In general, the accounting policy is one of the tools for regulating expenses, assessed taxes, and standardizing accounting procedures. It also affects

financial results and, accordingly, financial ratios and values of reporting indicators. The accounting policy is expedient in the practical solution of contradictions arising in regulatory acts on accounting and taxation.

In the course of the research, we can determine a certain subjectivity of the accounting policy, this fact is manifested in its influence on the profitability of the enterprise, namely if the profitability indicators of the enterprise are determined from documents for the sale of goods and services, etc. and are in turn objective, then the amount of the expense side, in turn, always depends on the accounting policy, i. e. the management’s decisions regarding the selection of certain elements, methodological techniques, so it is subjective. In general, the use of different principles, methods and procedures in the accounting policy allows changing certain aspects of the financial result of the enterprise which causes the incomparability of financial reporting indicators for its analysis.

Considering the importance of the influence of the accounting elements policy chosen by the management staff of the enterprise on the final financial results and analytical indicators of financial reporting, we offer the following classification of the elements of the accounting policy according to three characteristics:

- 1) which do not affect the financial result and analytical reporting indicators;
- 2) based on which it is impossible to reach a conclusion about the presence or absence of an impact and the level of its assessment;
- 3) with a probable impact on the financial result and analytical reporting indicators. In this category, we can classify and divide the investigated elements into the following groups: the period of influence which is more than one year, which refers to the long-term, and the period of influence of less than a year, which, accordingly, refers to the short-term.

Below is a schematic presentation (Fig. 1), a display of accounting policy elements in relation to the degree of materiality influence on financial results and analytical indicators of financial reporting.

For a visual presentation, the elements of the accounting policy that have the greatest impact on the financial results and analytical indicators of the company’s financial reporting are listed (Fig. 2).

Individual cases of choosing one or another methodological approach will be considered below.

As a result of revaluation of fixed assets to their fair value, the final financial result which will be subject to tax may change. In the case of revaluation of fixed assets, there is an increase in their residual value, respectively, and the amount of depreciation. In turn, depreciation entails a decrease in depreciation and expenses, and vice versa, an increase in the amount of profit. As mentioned above, it makes the financial result, according to which the economic activity of the enterprise is taxed, in case of depreciation of fixed assets, increases by a certain amount, which is included in the expenses of the reporting period and decreases accordingly by the calculated amount of revaluation of fixed assets. This element of the accounting policy has an impact on the cost price, other

costs of operating activities, capital in revaluation, and accordingly also on the currency of the balance sheet and the value of assets. I. e., the revaluation of fixed assets has a direct impact on the value of the first asset section of the balance sheet, so such a change also affects the indicators of business activity, namely fixed-asset turnover. Carrying out revaluation will cause an increase in the indicator of net assets, coefficients of financial stability and autonomy, but in turn will lead to a reduction in indicators of profitability of sales, equity capital, assets and fixed-asset turnover and return on capital.

With regard to the choice of a certain methodical technique for assessing the disposal of stocks, which also

significantly affects the analytical indicators of financial reporting, an example of the use of the FIFO method is given. This method overestimates financial results because when it is used, stocks are written off at lower “initial prices”, reducing the cost of deducted stocks. Looking at the calculations of solvency indicators, the FIFO method is a more profitable type of stock disposal assessment, but it should be noted that if it is chosen, there is an increase in the amount of income tax.

When choosing a method of calculating the depreciation of noncurrent assets, it is necessary to take into account the features of using accelerated depreciation methods. Their use will have an impact on the growth of the ratio of

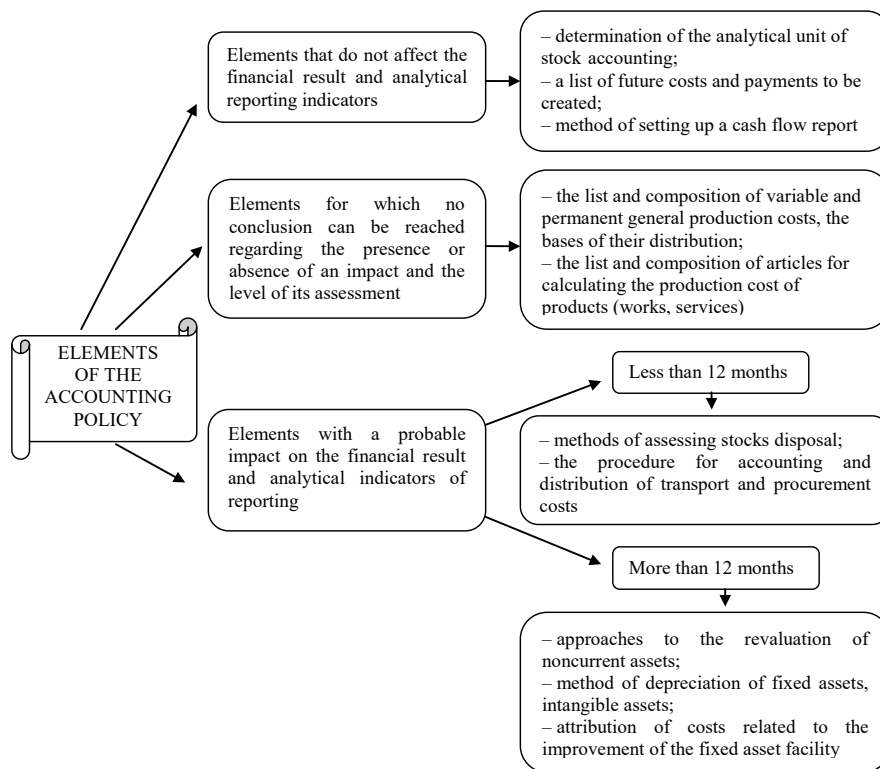


Fig. 1 – Classification of elements of accounting policy according to the degree of influence on financial results and analytical indicators of financial reporting

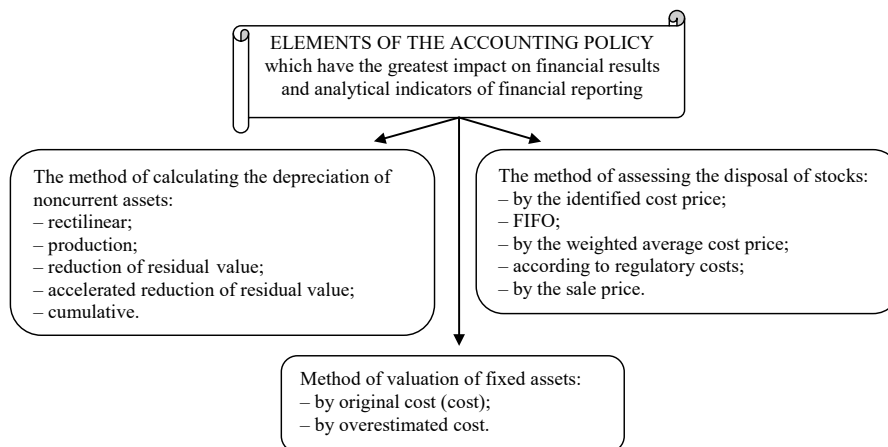


Fig. 2 – Accounting policy elements that have the greatest impact on financial results and analytical indicators

current liquidity and provision of own working capital and on the indicator of fixed-asset turnover, as a result – on the reduction of indicators of profitability of sales and assets.

In order to effectively set up a high-quality accounting policy which will serve as an information base for making objective and correct management decisions, and not as a formal attribute of the accounting mechanism, it is necessary, first of all, to analyze the organizational structure of the enterprise, determine the actual conditions of management and the state of accounting, check the effectiveness of the internal control system and determine the main goal of forming an effective accounting policy.

If need be, the accounting policy can also serve as a tool for streamlining and optimizing cash flows and improving the investment attractiveness of the enterprise for external users of financial reporting. This data-oriented accounting policy becomes expedient when it is necessary to attract additional financial resources, so it should be aimed at creating the most profitable financial reporting for external creditors and investors and should guarantee the formation of effective financial reporting in relation to indicators of

financial ratios. Under such conditions, it is appropriate to use accelerated depreciation methods, optimization of taxation, and release of auxiliary financial resources due to increased business activity and forced turnover of assets.

Conclusions

In conclusion, the considered elements of the accounting policy of the enterprise, the list of which, in turn, is not exhaustive, have a real impact on the indicators of the financial state and financial results of the enterprise which proves the importance of setting up an optimally selected accounting policy model for each individual enterprise that enables business entities to have at their disposal a wide range of alternative influence tools for submitting financial reporting. Their proper leverage allows adjusting accounting at the enterprise; optimizing the process of income taxation, avoiding unconvincing overestimation or underestimation of data on the profitability of a business entity, for the further use of these indicators as a basis for calculating income tax; using clear and high-quality information about the financial indicators of the enterprise.

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