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FEATURES OF THE METHOD OF FORMATION AND ACCOUNTING OF FINANCIAL RESULTS ON TDV “ZAPORIZK BREAD FACTORY № 1”

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The article examines the methodology for the formation of financial results in accordance with the various examples of the activity of the Zaporizky Bread Combination No. 1 TDV. It has been proven that the basis of financial and economic development, as well as the stability of the enterprise in conditions of competition, is the preservation of financial independence, which is ensured by a positive financial result – profit. It was concluded that in order to make effective management decisions, reliable information about the results of activities is needed, formed taking into account the specifics of enterprise management and their organizational structure. An account of the financial results of activity, as well as their distribution and write-off, is provided. An example is given at the TDV enterprise “Zaporizky Hlibokombinat No. 1”, which, during the implementation of economic activity, carries out operational, financial, investment activities, and economic operations. The practical examples of accounting for operational, financial, and investment activities presented in the article should be useful for domestic enterprises, the purpose of which is to provide reliable, truthful information to their owners.

ОСОБЛИВОСТІ МЕТОДИКИ ФОРМУВАННЯ ТА ОБЛІКУ ФІНАНСОВИХ РЕЗУЛЬТАТІВ НА ТДВ «ЗАПОРІЗЬКИЙ ХЛІБОКОМБІНАТ № 1»

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Ключові слова:

основні засоби, ефективність використання, матеріальні активи, облік, аналіз, сільське господарство, управління

У статті розглянуто методологію формування фінансових результатів відповідно із різними наведеними прикладами діяльності ТДВ «Запорізький хлібокомбінат № 1». Доведено, що основою фінансово-економічного розвитку, а також стабільності підприємства в умовах конкуренції є збереження фінансової незалежності, яка забезпечується позитивним фінансовим результатом – прибутком. Зроблено висновок, що для прийняття ефективних управлінських рішень необхідна достовірна інформація про результати діяльності, сформована з урахуванням специфіки господарювання підприємств та їх організаційної структури. Наведено облік фінансових результатів діяльності, а також їх розподілом і списанням. Наведено приклад на підприємстві ТДВ «Запорізький хлібокомбінат № 1», яке під час здійснення господарської діяльності здійснює операційну, фінансову, інвестиційну діяльність, господарські операції. Наведені у статті практичні приклади ведення бухгалтерського обліку операційної та фінансової діяльності мають бути корисними для вітчизняних підприємств, метою яких є надання достовірної, правдивої інформації своїм власникам.

Statement of the problem

A characteristic feature of the modern development of the economy of Ukraine is global economic changes in the sphere of production based on market relations.

Market relations require a review of the accounting and auditing system, one of the central elements of which is the calculation and control of income, expenses and financial results [3]. The main goal of the company in market conditions is to achieve maximum profit at minimum

costs while improving the quality of customer service. It is important that the basis of financial and economic development, as well as the stability of the enterprise in conditions of competition, is the preservation of financial independence, which is ensured by a positive financial result – profit.

In order to make effective management decisions, reliable information about the results of activities, formed taking into account the specifics of the management of enterprises and their organizational structure, is necessary.

First of all, it concerns objective information about expenses and income as components of the financial result. In the process of reforming the accounting system in Ukraine, the methodological principles of formation, calculations and reporting of financial results for the reporting period, focused on the conceptual principles and principles of recognition of income and expenses, underwent significant changes [2]. However, this did not ensure the creation of a coherent system for the formation of financial performance indicators and their inclusion in financial reporting. Despite the fact that the principles, organization and methodology of accounting, the procedure for forming the accounting policy of Ukrainian enterprises comply with international financial reporting standards, there are still a number of contradictions in individual concepts of the approach to their recognition. Therefore, there is an urgent need for research and the formation of methodical approaches to the determination of financial results in the accounting system.

Analysis of recent studies and publications

The problems of accounting for financial results at enterprises are thoroughly researched in the works of well-known domestic scientists, in particular: I.O. Bely, F.F. Butynets, S.F. Holov, M. Ya. Demyanenko, V.M. Zhuk, H.G. Kireitsev, M.I. Kovalchuk, M.V. Kuzhelnii, L.I. Lavrinenko, Yu.Ya. Lytvyn, O.V. Lyshilenko, E.V. Mnykh, V.B. Mossakovskii, V.G. Linnyk, V.V. Sopko, L.K. Suk, P.T. Sabluk, N.M. Tkachenko, L.S. Shatkovska, V.O. Shevchuk, V.P. Yarmolenko and others.

Leading scientists have made a significant contribution to the development of accounting, but many problems remain unsolved, since the formation of the regulatory framework of accounting and reporting and the theoretical justification of these processes are at the stage of creation and development. At the same time, issues of accounting for financial results remain unclear, where there is an inconsistency of financial, management and tax accounting at the enterprise level.

Therefore, objectively, there is a need for further research and studies of issues of organization and methods of calculations based on financial results.

Objectives of the article

The purpose of the article is to provide a recommendation on the methodology and organization of accounting for the financial results of the activities of domestic enterprises using a practical example.

The main material of the research

The accounting cycle of economic activity at the enterprise ends with the accounting of the financial results of the activity, as well as their distribution and write-off. The importance of this area of accounting and its role increase significantly in the conditions of market relations and in the establishment of an environment of free competition. The management staff of the enterprise must carefully study the current needs of the market in order to plan the nomenclature, assortment and production volumes of products, taking into account their own capacities.

The tasks of accounting of the financial results of the enterprise are:

- determination of general and partial quantitative and qualitative parameters of profits or losses;
- preparation of data for the preparation of various types of reporting (financial, tax and statistical);
- formation of an information base for the implementation of the process of profit distribution and operations regarding tax settlements with the budget, as well as dividends with shareholders and founders;
- formation of equity reserves, etc.

Account 79 “Financial results” is used to record the results of the business entity’s activities by closing the relevant income and expense accounts [6]. According to its properties and structure, this account belongs to operational result accounts. These accounts are intended to determine the results of the economic activity of the business entity by comparing gross income with gross expenses and accordingly determine the result – profit or loss.

The credit of this account accounts for the amounts due to the fact of closing the income accounting accounts, and the debit accounts for the amounts due to the fact of closing the expense accounting accounts and the corresponding amount of accrued income tax. By comparing these amounts, it is possible to calculate the financial result of both economic activity in general and operational, financial and investment activities separately.

The net financial result after taxation is credited to account 44 “Retained earnings (uncovered losses)”. “This account is passive, i. e. its credit shows profit and its increase from all types of activities, and its debit shows losses and use of profit” [1].

In order to distinguish income and expenses from different types of activities, the working Chart of Accounts provides corresponding related sub-accounts. “In particular, the income and expenses of the business entity from the sale of finished products are recorded in separate subaccounts to accounts 70 “Revenues from sale”, 90 “Cost of sale”, 79 “Financial results” [2].

Account 70 “Revenue from sales “for” separation of income from the main activity” has sub-accounts: 701 “Income from the sale of finished products”, 702 “Income from the sale of goods”, 703 “Income from the sale of works and services”, 704 “Deduction from income” [3].

Account 90 “Cost of sales” for “allocation of costs for the main activity has sub-accounts: 901 “Cost of sold finished products”, 902 “Cost of sold goods”, 903 “Cost of sold works and services”.

Account 79 “Financial results” for distinguishing financial results from various types of activities in accounting has sub-accounts 791 “Financial result from main activity”, 792 “Financial result from financial operations”, 793 “Financial result from other ordinary activities”.

The display on the accounts of synthetic accounting during the year, respectively, by crediting income accounts and debiting expense accounts, is carried out in the correspondence of accounts, which is specified for each account in the Instructions for the Application of the Plan of Accounting Accounts. Also, in accounting, costs are divided into constant and variable, as well as mixed [1].

It should be noted that a large number of expenses, in particular, expenses for electricity, wages, belong to mixed expenses. “That is, they include both fixed and variable costs” [2].

In accordance with the Plan of Accounting Accounts and the Instructions for the Application of the Plan of Accounting Accounts in order to reflect in the accounting the financial results of the main activity of the economic entity from the sale of finished products and the performance of works for the reporting year, prepares the final accounting transactions.

In the course of economic activity, the enterprise may carry out operational, financial, investment activities, economic transactions for which are accounted for accordingly [5].

The main examples of operational activities carried out by, include:

- sale of finished products;
- providing (taking) non-current assets for rent;
- sale of fixed assets by transferring them to the composition of assets for sale.

So, the first group includes the sale of finished products. Let’s consider a practical example of the implementation of operational activities at the ZAPORIZKY HLIBOKOMBINAT № 1 SLC.

During the month, the company received products in its warehouse, the actual production cost of which is UAH 9.999.450.00.

In the same month, products worth UAH 12.090.650.00 were sold (including VAT – UAH 2.015.108.33). The cost of implementation is UAH 11.540.685.00 and consists of:

- production cost of sold products UAH 6.956.632.00;
- undistributed permanent general production costs in the amount of UAH 584.053.00 (Table 1).

The second group includes the provision of premises for operational lease. ZAPORIZKY HLIBOKOMBINAT № 1 SLC leases premises worth UAH 11.000,000.00 with a monthly rent of UAH 50.500.00 (including VAT – UAH 8.416.67).

At the same time, for example, according to the agreement of the parties, ZAPORIZKY HLIBOKOMBINAT № 1 SLC independently bears the costs of paying for communal services for the leased object, which, according to the results of the current month, amounted to UAH 13.600.00 (including VAT 20% – UAH 2.266.67).

It should be noted that for enterprise “X” the provision of real estate for rent is a non-core type of activity (Table 2).

For example, ZAPORIZKY HLIBOKOMBINAT № 1 SLC has operations for the sale of non-current assets. The machine was transferred from:

- with a residual value of UAH 127.300.00;
- amount of accumulated wear and tear – UAH 98.500.00;
- to non-current assets held for sale.

During the year, the net sales value of the machine first decreased to UAH 103.960.00, and then increased to UAH 105.650.00.

The machine was sold for UAH 169.000.00 (including VAT – UAH 28.166.67) (Table 3).

The main stages of accounting for financial results are:

- accounting of the company’s income and expenses from operational, financial and investment activities on accounts of the 7th and 9th class of accounts of the working Plan of accounts of the company;
- formation of the financial result of the enterprise on account 79 “Financial results”;
- calculation of income tax;
- transfer of the net financial result – profit or loss – to account 44 “Retained earnings (uncovered losses)”;
- distribution and use of profit.

Table 1 – Accounting procedures for determining the financial result from operational activities (realization of finished products) of the ZAPORIZKY HLIBOKOMBINAT № 1 SLC

#	The content of the business transaction	Correspondence of accounts		Amount, UAH
		Dt	Kt	
1	Receipts of finished products into the warehouse are shown at the actual production cost	26	23	9.999.450.00
2	Income from the sale of finished products is shown	361	701	12.090.650.00
3	Tax liabilities from VAT are displayed	701	641/ VAT	2.015.108.33
4	The production cost of products sold in the reporting month is written off	901	26	6.956.632.00
5	Undistributed permanent general production costs are written off to the cost of realization	901	91	584.053.00
	Credited to the financial result:			
6	– income from the sale of finished products	701	791	10.075.541.67
	– cost of goods sold	791	901	7.540.685.00
7	A profit has been made	–	–	2.534.856.67

Table 2 – Accounting procedures for determining the financial result from operational activities (rental of premises)

#	The content of the business transaction	Correspondence of accounts		Amount, UAH
		Dt	Kt	
1	Rent received in advance for the current month	311	681	50.500.00
2	The amount of tax liabilities from VAT is reflected as part of the value of the rent received	643	641/ VAT	84.16.67
3	The amount of income from renting out the premises is displayed	361	713	50.500.00
4	The previously reflected amount of VAT tax liability is written off	713	643	8.416.67
5	Debt settlement was carried out	681	361	50.500.00
6	The payment of utility services related to the premises provided for rent is reflected	949	631	13.600.00
7	The amount of VAT is displayed	644	631	2.266.67
8	The cost of the services of third-party organizations received in connection with the provision of the premises for rent has been paid	631	311	5.680.0
9	Credited to the financial result:			
	– income from operational lease of the warehouse	713	791	42.083.33
	– expenses related to the operational lease of the warehouse	791	949	13.600.00
10	A profit has been made	–	–	28.483.33

Table 3 – Accounting procedures for determining the financial result from operating activities (realization of a non-current asset for sale)

#	The content of the business transaction	Correspondence of accounts		Amount, UAH
		Dt	Kt	
1	The amount of accumulated wear and tear is written off	131	104	98.500.00
2	The FA object was transferred to the composition of non-current assets held for sale	286	104	127.300.00
3	The value of the object was reduced due to a decrease in the net realizable value (103,960.00 UAH - 127,300.00 UAH)	946	286	23.340.00
4	The value of the object was increased due to the increase in the net sales value (105,650.00 UAH - 103,960.00 UAH)	286	719	1.690.00
5	Received advance payment for the machine	311	681	169.000.0
6	Tax liabilities from VAT are displayed	643	641/ПДВ	28.166.67
7	The machine was sent to the buyer	377	712	169.000.0
8	The previously reflected VAT tax liability is written off	712	643	28.166.67
9	The cost of the object is written off	943	286	105.650.00
10	Debt settlement was carried out	681	377	169.000.0
11	Assigned to the financial result:			
	– the amount of income from the sale of the property	712	791	140.833.33
	– the cost price of the sold property	791	943	105.650.00
	– expenses from a decrease in the value of the object of the FA in connection with a decrease in the net sales value	791	946	23.340.00
	– income from the increase in the value of the property of the health care facility in connection with the increase in the net realizable value	719	791	1.690.00
12	A profit has been made	–	–	10.153.30

After carrying out accounting transactions, the profit before taxation is determined on account 79 “Financial results”. After that, the amount of income tax is calculated:

- Dt 98 “Income tax” Ct 641 “Tax settlements”;
- Dt 79 “Financial results” Kt 98 “Income tax”.

Based on the results of calculating the income tax at the rate of 18%, the company determines the net financial result, which is debited from account 79 “Financial results” by the final accounting entry:

- Dt 79 “Financial results” Kt 441 “Retained earnings” – for the amount of net financial result – profit;
- Dt 442 “Uncovered losses” Ct 79 “Financial results” – for the amount of the net financial result – loss.

Let’s consider the example of ZAPORIZKY HLIBOKOMBINAT № 1 SLC, which receives loans in its economic activity (Table 4).

Since November 5, 2020 a loan for the purchase of equipment in the amount of UAH 5.000.000.00 has been held in the bank for a period of 1 year. Interest for using a loan of 100.000.00 UAH were paid a month later (December 5, 2022).

The loan was repaid on 12/05/2022. The equipment purchased with loan funds does not meet the criteria of a qualifying asset, therefore interest on the loan is not capitalized, but is included in the expenses of the period.

Table 4 – Accounting procedures for determining the financial result from financial activities (obtaining a loan)

#	The content of the business transaction	Correspondence of accounts		Amount, UAH
		Dt	Kt	
1	Received a short-term bank loan	311	601	5.000.000.00
2	Interest has been accrued and paid for the month of loan use	951	684	100.000.00
		792	951	
		684	311	
3	A short-term bank loan has been repaid	601	311	416.666.67

Conclusions

The system of accounting for financial results is a necessary and important part of the functioning of domestic enterprises. The accounting cycle of economic activity at the enterprise ends with the accounting of the financial results of the activity, as well as their distribution and write-off. The value of this area of accounting and its role increase significantly in the conditions of market relations and in the establishment of an environment of free competition [8].

Account 79 “Financial results” is used to record the results of the business entity’s activities by closing the relevant income and expense accounts. According

to its properties and structure, this account belongs to operational-result accounts.

The article examines the methodology for the formation of financial results in accordance with the various examples of the activity of the ZAPORIZKY HLIBOKOMBINAT № 1 SLC. After carrying out accounting transactions, the profit before taxation is determined on account 79 “Financial results”. After that, the amount of income tax is calculated.

The practical examples of accounting for operational and financial activities presented in the article should be useful for domestic enterprises, the purpose of which is to provide reliable, truthful information to their owners.

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