

NATIONAL ECONOMY'S MARKET MECHANISMS OF ACCOUNTING, ANALYSIS AND AUDIT

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PROBLEM ASPECTS OF ACCOUNT OF PRODUCTIVE SUPPLIES AND THEIR REFLECTION ARE IN FINANCIAL REPORTING

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supplies, classification of supplies, productive supplies, account of supplies, reflection of supplies in the financial reporting, national positions standards of record-keeping, international standards of the financial reporting.

The article is sanctified to the problem of research of account of productive supplies and their reflection in the financial reporting of enterprises. Positions of scientists are generalized in relation to possibilities of interpretation of concept «productive supplies». Analysed and generalized traditionally taken approach near classification of productive supplies. The comparative analysis of reflection is conducted in accounting of supplies for National Accounting Standards and International Accounting Standards.

A necessity is investigational for the enterprises of Ukraine of application of international standards of the financial reporting. The comparative analysis of opening of information is conducted in the financial reporting about the state of supplies of enterprise on international and national standards. The features of methods of presentation of information are considered about supplies depending on basic tasks to their account and control. It is accented on problem questions in relation to the order of forming and transformation of information in the financial reporting about the state of supplies of enterprise, with the aim of influence on the acceptance of effective administrative decisions. Undertaken a study allowed to distinguish basic problems at the reflection of information about supplies in the financial reporting, formed on national standards. The necessity of harmonization of National Accounting Standards and IAS, with the aim of simplification of regulation of account. Influence of the got results is certain on the acceptance of administrative decisions.

ПРОБЛЕМНІ АСПЕКТИ ОБЛІКУ ВИРОБНИЧИХ ЗАПАСІВ ТА ЇХ ВІДОБРАЖЕННЯ У ФІНАНСОВІЙ ЗВІТНОСТІ

Сасенко О.Р., Сьомченко В.В., Залозна В.О.*Запорізький національний університет**Україна, 69011, м. Запоріжжя, вул. Університетська, 66***Ключові слова:**

запаси, класифікація запасів, виробничі запаси, облік запасів, відображення запасів у фінансовій звітності, національні положення стандарти бухгалтерського обліку, міжнародні стандарти фінансової звітності.

Стаття присвячена проблемі дослідження обліку виробничих запасів та їх відображення у фінансовій звітності підприємств. Узагальнено позиції науковців стосовно можливостей трактування поняття «виробничі запаси». Проаналізовано та узагальнено традиційно використовувані підходи до класифікації виробничих запасів. Проведено порівняльний аналіз відображення в обліку запасів за П(С)БО та МСБО. Досліджено необхідність для підприємств України застосування міжнародних стандартів фінансової звітності. Проведено порівняльний аналіз розкриття інформації у фінансовій звітності про стан запасів підприємства за міжнародними та національними стандартами. Розглянуто особливості способів подання інформації про запаси залежно від основних завдань їх обліку та контролю. Акцентовано на проблемних питаннях щодо порядку формування та перетворення інформації у фінансовій звітності про стан запасів підприємства, з метою впливу на прийняття ефективних управлінських рішень. Проведене дослідження дозволило виділити основні проблеми при відображенні інформації про запаси у фінансовій звітності, сформованої за національними стандартами. Доведена необхідність гармонізації НП(С)БО та МСБО з метою спрощення регламентації обліку. Визначено вплив отриманих результатів на прийняття управлінських рішень.

Statement of the problem

Productive supplies play a significant role in the economic activity of the enterprise. Accounting data on inventory levels is a crucial component of information used to assess business performance and reflect the financial position of an entity. Effective inventory management involves careful documentation of all transactions related to receiving, movement, and write-off, determining the correct valuation, as well as controlling the rational use and preservation of material resources. Determination and development of directions for increasing the efficiency of the economic activity of enterprises involves improving the organization of accounting and control of productive supplies, which will allow the management of the enterprise to obtain information for the purpose of optimizing management decisions.

Analysis of latest research and publications

Questions related to the problems of accounting and display of productive supplies in financial reporting were reflected in the works of many domestic scientists such as Butynets F.F., Zadorozhnyi Z.V., Valuev B.I., Linnyk V.G., Sopko V. V., Smolenyuk P.S., Maksimenko I.Ya., Vailo T.V., Gudzenko N.M.

Despite the large number of studies and publications, the system of accounting and control of inventories needs a more detailed definition and development of methodical approaches to its formation for the purpose of further scientific and practical elaboration.

Formulation of the article's objectives

The purpose of this article is to study the theoretical foundations of inventory accounting, the methodology for reflecting them in the financial statements of enterprises, to identify problematic aspects in the chosen topic and to develop recommendations for eliminating shortcomings and improving inventory accounting practices.

The main material of the research

The successful functioning of any enterprise, especially a manufacturing one, directly depends on the effective management of material resources. Inventories are an important item of the company's current assets, and their correct accounting is a necessary condition for making informed management decisions.

They are the bearers of costs and the final result during the production of products throughout the entire production cycle, starting from the release of raw materials and auxiliary materials in production to the receipt and delivery of finished products to the warehouse.

However, in practice, companies face a number of problems related to inventory accounting. Imperfection of accounting systems, changes in market conditions, introduction of new standards in inventory accounting – all this affects the quality of accounting information and, as a result, the reliability of their disclosure in financial statements.

The general approach to inventory accounting and the requirements for disclosing information about them in financial statements are given in International Accounting

Standard 2 «Inventories» and in Ukrainian Accounting Standard 9 «Inventories».

In recent years, the Ukrainian accounting system has seen significant changes in the direction of orientation towards international standards. It should be noted that the national standards were developed based on the main international standards, so they have some common features:

1. definition of such terms as «inventories» and «net realisable value»;
2. methods of measurement of inventories;
3. measurement of inventories as of the balance sheet date;
4. disclosure of information about inventories in financial statements.

In general, the concept of "inventories" as an economic category appeared in the early 90s of the 20th century with the adoption of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» dated July 16, 1999. № 996 and the implementation of national accounting regulations (standards) [2, 3].

However, you should pay special attention to the comparison of the essence of the definition of inventories, which is given in Table 1.

Table 1 – Definition of the essence of «Inventories»

Inventories are assets:	
According to IAS 2 «Inventories»	According to UAS 9 «Inventories»
1. held for sale in the ordinary course of business.	1. held for for further sale (distribution, transfer) under the conditions of ordinary economic activity.
2. in the process of production for such sale; or in the form of materials or supplies to be consumed in the production process or in the rendering of services.	2. in the process of production for further sale of the product of production. 3. held for consumption during the production of products, performance of works and provision of services, as well as management of the enterprise/institution.

Source: compiled by the authors based on [1, 2]

However, during the general analysis and comparison of standards, some specific differences were identified, which are disclosure in the Table 2.

So, according to the analysis in the table, we can see that UAS 9 «Inventories» and IAS 2 «Inventories» have common and distinctive features. Thus, the definition of the concept of «inventories», the main concepts related to them, as well as recommendations for the use of methods of inventory estimation in both standards are identical. The main differences between the two standards are inventory composition, inventory valuation methods, and other features listed above in the table.

It should be noted that international standards have both positive and negative features. Their objective advantages over national standards are:

- clear economic logic;
- generalization of the best modern world practice in the field of accounting;
- ease of perception for users of financial information all over the world.

We also note that the standards do not provide a clear definition of the term «productive supplies». In this regard, we will analyze the works of scientists and their interpretation of the essence of this concept in the field of accounting.

Thus, Z. D. Tychuk gives the following definition: «Production inventories – items of labor that are the property of the enterprise, are stored in warehouses, provide the production process only once, change or do not change their form and properties and transfer their value to the value of

the created product» [6]. Butynets F. notes that production stocks are labor items intended for the production of products, performance of work, provision of services, maintenance of production and administrative needs [7].

In this way, production inventories are part of current assets, a component of material resources and labor items that play an important role in the production cycle system and fully transfer their value to products (works, services). The place of production inventories in the structure of the company's current assets is shown in Figure 1.

Table 2 – The main differences in inventory accounting IAS and UAS

Comparison feature	IAS 2 «Inventories»	UAS 9 «Inventories»
Inventory classification	1. Basic and auxiliary materials; 2. Work in progress; 3. Goods; 4. Finished goods produced; 5. Production stocks.	1. Raw materials, basic and auxiliary materials, component products; 2. Work in progress; 3. Finished goods produced; 4. Goods; 5. Consumables, expendables; 6. Current biological assets, provided that they are assessed in accordance with UAS 9.
Measurement of inventories:		
– on the date of receipt	For cost price	At original cost, which depends on the method of receipt of inventory, for example: 1. stocks produced by our own forces – at production cost; 2. received free of charge – at fair value.
– on the balance sheet date	Inventories shall be measured at the lower of cost and net realisable value.	Inventories shall be measured at the lower of original cost and net realisable value.
User orientation	More focused on the needs of a wide range of users of financial statements.	More adapted to the specifics of the national economy.
Requirements for disclosure of information about inventories in financial statements	It is necessary to disclose information about: 1. the amount of any reversal of any partial write-off, recognized as a reduction in the amount of inventory, which is recognized as an expense of the period; as well as the circumstances and events that caused the reversal of such write-off.	It is necessary to disclose information about: 1. the balance sheet (accounting) value of inventories transferred for processing, on commission, as collateral; 2. the amount of the increase in the net realizable value, according to which the inventory assessment was carried out.
Other differences	There are nuances regarding the rules of inventory accounting by commodity exchange brokers. It is also stated that in the part of accounting for inventories purchased under the condition of deferred payment, the element of financing is defined as interest expenses during the financing period.	There are special valuation rules for accounting of such inventories: 1. received in exchange for other stocks; 2. free stock received; 3. inventories contributed to the share capital.

Source: compiled by the authors based on [1, 2]

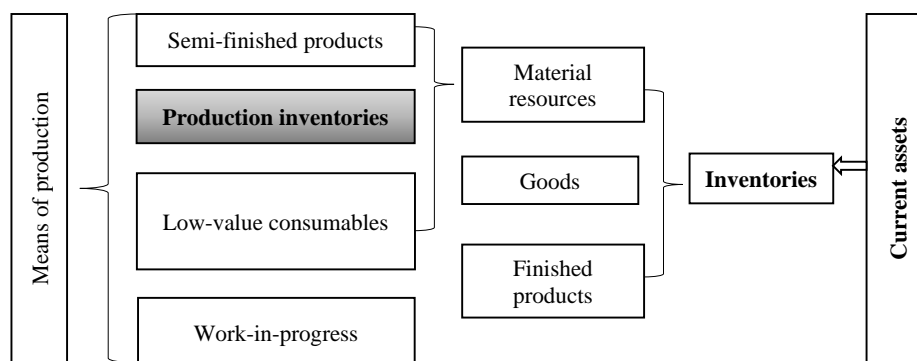


Fig. 1 – The place of production inventories in the structure of current assets at the enterprise

An equally important role in the accounting of production inventories is played by their classification, which is necessary for a correct understanding of the accounting organization. The main classification of stocks is given in the «Chart of accounts of accounting of assets, capital, liabilities and economic operations of enterprises and organizations». It is placed on account 20 «Production inventories» that the following objects are recorded:

- 201 «Raw materials»;
- 202 «Purchasable semi-finished products and component products»;
- 203 «Fuel»;
- 204 «Containers and packaging materials»;
- 205 «Construction materials»;
- 206 «Materials transferred for processing»;
- 207 «Spare parts»;
- 208 «Agricultural materials»;
- 209 «Other materials».

Each company has its own specific needs and requirements for inventory management. That is why it is extremely necessary to classify inventories depending on how they are used. According to the results of the study, the classification of production stocks is generalized [4, 5].

According to the reasons for their formation and purpose, production inventories are divided into permanent and seasonal. Permanent inventories are a part of production inventories that are involved in ensuring the continuity of the enterprise's production process between two regular deliveries. Accordingly, seasonal inventories are those formed during seasonal production or seasonal transportation.

By destination, inventories are divided into warehouse, in production, and in transit.

In terms of volume, inventories are divided into free (those that are in excess at the enterprise) and restricted (those that are in limited quantities at the enterprise).

In relation to the balance sheet, inventories are divided into on-balance sheet (inventories owned by the company and reflected in the balance sheet) and off-balance sheet (inventories not owned by the company and held by it due to certain circumstances).

The given classification of stocks ensures the implementation of the main tasks of the organization of accounting and control of production stocks, including: optimal definition of the accounting unit and formation of the price nomenclature; efficient warehouse management; reliable determination of the initial cost of stocks, conditions of revaluation as of the balance sheet date and methods of their assessment upon disposal. In addition, this classification contributes to the complete and reliable display of information about stocks in financial statements. Thus, the classification of an enterprise's inventory depends on the place of inventory in the production process and its specifics (industry, technological features, organizational structure).

According to the international standard, the following should be disclosed in financial statements (Fig. 2):

According to UAS 9 «Inventories», the next information should be disclosed in the financial statements (Fig. 3):

Basic information about inventories is usually disclosed in the balance sheet (statement of financial position) and notes to the financial statements. In the balance sheet, inventories are recognized in the current assets section.

The notes provide more detailed information on measurement methods, inventory movements, impairment and other material aspects.

Conclusions

The study of the essence of the concept of “production stocks” has made it possible to determine that stocks are one of the key factors of industrial production efficiency.

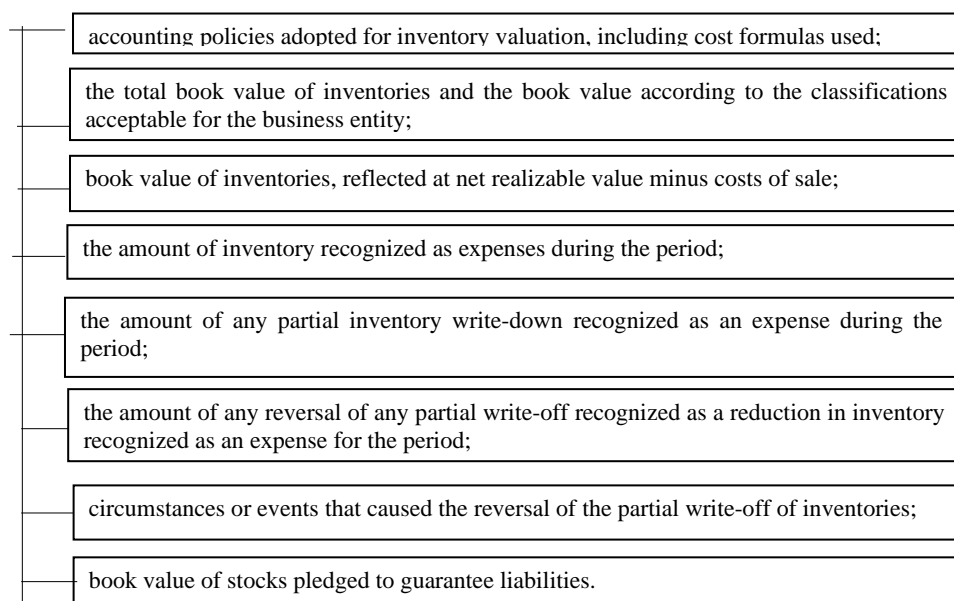


Fig. 2 – Basic requirements for disclosure of information about inventories in financial statements according to IAS 2 [1]

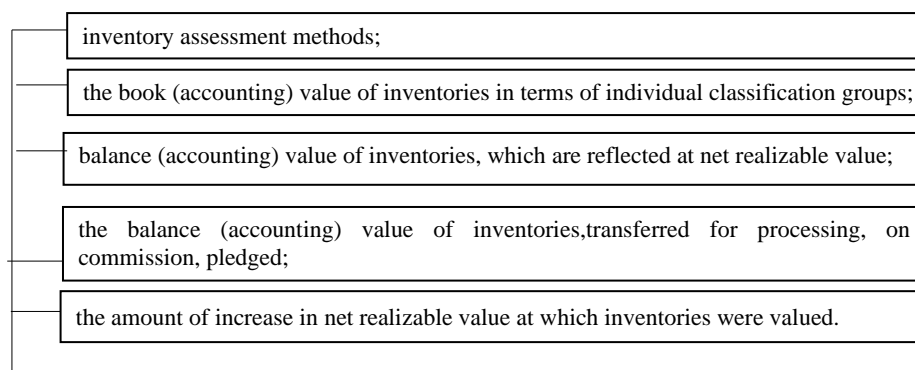


Fig. 3 – Basic requirements for disclosure of information about inventories in financial statements according to UAS 9 [2]

Their accounting and control over their use are regulated by regulatory and legislative acts.

As a result of the comparative analysis of inventory accounting under UAS and IAS, it is substantiated that the main differences between the two standards are the composition of inventories and methods of inventory valuation.

It is proved that an important role in the accounting of production inventories is played by their classification, which is necessary for a correct understanding of the

organization of accounting. The classification of an enterprise's inventories depends on the place of inventories in the production process and their specifics.

At the legislative level, there is a need to harmonize UAS and IAS in order to simplify accounting regulations, which would allow foreign users of financial statements to obtain more detailed information about the activities of an entity, which is a necessary component when considering possible investment.

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