

ECONOMICS AND BUSINESS MANAGEMENT

UDC 338.43:633/635:657:005.336.1

<https://doi.org/10.26661/2414-0287-2020-3-47-01>

WAYS TO IMPROVE ACCOUNTING RECEIVABLES USING AN IN-DEPTH CLASSIFICATION

Rybalko O.M., Varlamova I.S., Zhelnina G.O.

*Zaporizhzhia National University
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

Irina.varlamova@gmail.com, anyazhelnina@gmail.com

ORCID 0000-0003-0757-1730, ORCID 0000-0002-9921-327

Key words:

accounting, receivables, provision for doubtful debts, overdue / bad receivables, classification, types of receivables.

This article is devoted to the systematization of the main areas of accounting for receivables within the management system with attention to the specifics of the trading industry. To solve the problems of this class, I decided to use a systematic approach and strategic management of receivables. Accounts receivable have a significant weight in the current assets and affect the financial condition of enterprises, and therefore the article presents certain principles of accounting for trade receivables, which detail the information for management decisions. I proposed systematized aspects of accounting for receivables of a commercial enterprise, which, in contrast to existing ones, take into account the specifics of the industry, it was proposed to summarize the main directions of development and tasks of accounting for receivables, which can be used for further development of the accounting system as a whole, analysis and management of receivables in enterprises of any form of ownership, operating in any industry, in order to increase their competitiveness. Accounts receivable are one of the most important and integral parts of any company's working capital. Understanding the state of receivables and the characteristics of its individual types qualitatively improves the management of these assets. Accounts receivable are one of the most important and integral parts of any company's working capital. Understanding the state of receivables and the characteristics of its individual types qualitatively improves the management of these assets. For this reason, effective receivables management becomes a driving force in building a successful business with a wide customer base. The developed proposals may be relevant in modern conditions of economic development, which is based on relentless technological progress and the release of new products.

УПРАВЛІННЯ ДЕБІТОРСЬКОЮ ТА КРЕДИТОРСЬКОЮ ЗАБОРГОВАНІСТЮ ПІДПРИЄМСТВА

Рибалко О.М., Варламова І.С., Желніна Г.О.

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

Ключові слова:

дебіторська заборгованість, кредиторська заборгованість, управління заборгованістю, прибуток, оцінка, активи, позичальник, оптимізація.

Стаття присвячена теоретико-методичним основам та практичним питанням підвищення якості та ефективності управління дебіторською та кредиторською заборгованостями підприємств з метою збільшення прибутковості, платоспроможності, фінансової стійкості та подолання кризи неплатежів. Для економічної безпеки і стабільності діяльності підприємства є актуальною тема дослідження та виявлення шляхів управління дебіторською та кредиторською заборгованістю. У статті розкриті актуальні питання управління дебіторською та кредиторською заборгованістю, що сприяють сталому розвитку суб'єкта господарювання. Розглянуто етапи та основні моделі управління кредиторською та дебіторською заборгованістю. Визначено основні переваги та недоліки заборгованостей для підприємства. Також у статті розглянуто сучасні підходи до економічного змісту дебіторської та кредиторської заборгованості. Проаналізовано склад та структуру, причини виникнення, строки створення і терміни їх існування та погашення. Окреслено напрями і прийоми управління дебіторською та кредиторською заборгованістю та їх співвідношенням.

Formulation of the problem

There are currently many unresolved issues regarding the accounting of receivables. One of the most problematic is the contradictions between accounting and tax accounting in such areas as the formation of a provision for doubtful debts, accounting for doubtful and bad receivables.

Due to the unstable situation in the country today, most Ukrainian companies are on the verge of financial crisis. One of the most significant problems is the crisis of mutual defaults, which is associated with a large amount of debt that exists between Ukrainian companies.

In unstable market conditions, it is very difficult to ensure a high level of product sales and timely payment by customers. The crisis of the economy forces companies to provide their products with deferred payment. Non-payment leads to the emergence of receivables, effective accounting, internal control and management which becomes one of the priorities of the enterprise.

Theoretical and practical research of accounting professionals show that the organization of accounting for receivables is given insufficient attention. Payment and settlement relations with business entities require an effective accounting system at the enterprise. It provides management with reliable and timely information about the state of receivables, the presence of "weaknesses" and possible ways to eliminate them [6]. The need to improve the accounting of receivables is confirmed by the increase in its share in the assets of enterprises. The share of receivables in the value of current assets of 40% recommended by scientists [7]. But the analysis shows that this figure ranged from 58.8 to 64.0%. Thus, there is a significant withdrawal of funds from the turnover of the enterprise, on the one hand, by increasing the amount of debt of buyers and customers, and on the other - by the need to repay liabilities to the budget for accrued taxes while direct settlement with debtors is not yet took place. The occurrence of receivables within certain limits is a normal sign of the enterprise, but not in cases where there is its uncontrolled growth and systematic late repayment.

Timely study of the status and composition of receivables, its comprehensive analysis makes it possible to exclude its negative impact on financial and quality performance of the enterprise. Effective management of receivables is a prerequisite for increasing the level of use of financial resources and opportunities for innovative development of enterprises in a market economy.

Analysis of recent research and publications

Many domestic and foreign scholars have paid great attention to the study of the nature and classification, regulation of the organization of accounting for receivables. To date, there is a wide list of classification features of this asset, there are different views on their definition, recorded both historical and modern views of economists on the nature and composition of this asset. All this gives a deeper understanding of the sequence of debt formation.

According to SF Chairman, receivables - a financial asset that is a contractual right of one party to receive money and is consistent with the corresponding obligation to pay the other party [7]. Given the achievements of scholars in accounting and analysis of receivables, the theoretical and practical issues of meeting the information needs of internal users about this object of accounting remain unresolved.

Formulation of the goals of the article

The purpose of the article is to consider the main inaccuracies in accounting for payments to receivables and receivables, as well as to identify proposals for improving the accounting and management of receivables, to reveal the completeness of the existing classification of receivables, to determine the possibility of introducing new types of classification.

Presentation of the main research material

In the process of activity, enterprises systematically enter into economic relations with other entities - employees, founders, customers, suppliers, financial institutions, other counterparties, public authorities and local governments, etc. As a result of such relations, receivables arise, which are subject to continuous control by management and financial services. With this in mind, it is necessary to ensure high-quality and timely display of information on debt in the accounting system [1].

In scientific and educational economic literature, in particular on the theory and practice of accounting, corporate finance management, etc., the concept of debt is synthesized (generalized) is almost not considered, and the object of study is a separate receivables. In our opinion, this is due to the fact that from the point of view of the formation of property companies are considered completely differently - both in terms of economic essence, causes, and further management, the impact on the financial assets of the company and so on. Receivables, provided that there is a probability that the company will receive future economic benefits and the ability to reliably determine its amount belongs to the assets of the enterprise, ie forms its property. According to UAS 10, receivables are the amount of receivables of the enterprise at a certain date. Debtors - legal entities and individuals who, as a result of past events, owed the company certain amounts of cash, cash equivalents or other assets [2]. In most cases, you can identify two main types of receivables: commodity and non-commodity (non-operating). Transactions are called commodity, when it comes to payment for products, works and services. That is, trade receivables arise as a result of the normal operating activities of the enterprise, which may include the sale of goods, works or services. Settlements with buyers and customers belong to the commodity according to the definition. Buyers are individuals or legal entities that buy goods (works, services). Customers are the parties to the contract, on the basis of which the order is made of specific products, services are provided, work is performed by another party to the contract [3]. Accounting for payments to customers is one of the most important and most researched areas of accounting, as at this stage the main part of the income and cash receipts of the enterprise is

formed. However, today there are a number of problems on this issue, namely:

1. Insufficient development of methodological approaches to the classification and evaluation of receivables for goods, works and services.
2. Impossibility to obtain information on receivables in the amount and form sufficient to perform the analysis of the company's settlements with customers.
3. Inadequacy and inefficiency of methods for calculating the provision for doubtful debts in accordance with UAS 10.
4. Insufficient elaboration of the chart of accounts and instructions on its application for accounting of settlements of buyers and customers.
5. Poorly established system of internal control of receivables at enterprises.
6. Underdeveloped forms of refinancing for effective management of receivables. Therefore, there is a need to develop some measures to improve the accounting of payments to customers and the actual receivables [4]. Accounts receivable have a significant share in current assets and affect the financial condition of the enterprise. The presence of receivables, and even more so its growth, leads to the need for additional sources of funds, worsens the financial condition of the enterprise. The importance of the analysis of receivables increases especially in the period of inflation, when the immobilization of own current assets becomes very unprofitable.

In order to prepare financial statements, receivables are classified according to the following characteristics: connection with the normal operating cycle (normal operating cycle - the period of time between the acquisition of inventories for activities and receipt of

funds from the sale of products or goods and services); maturity; objects in respect of which there are obligations of debtors; the timeliness of payment by the debtor of receivables. According to the first two features, long-term and current receivables are distinguished. In operating activities, arrears of goods, works and services typically account for the largest share of all current receivables. The occurrence of other current receivables is associated with the activities of the enterprise, which provides or is a consequence of operating activities. UAS 10 Accounts Receivable states that receivables may be part of an asset if it is probable that future economic benefits associated with the item will flow to the enterprise and its amount can be measured reliably. Current receivables are determined by the asset simultaneously with the determination of income from sales of products, goods, works and services and is measured at cost [2].

The procedure for writing off overdue receivables needs special attention, as there is a direct relationship between writing off such receivables and forming a basis for determining income tax. Proper and timely write-off of receivables plays an important role in shaping the financial results of the enterprise. Thus, the results of the study of receivables indicate the need to improve the methodological approach to accounting for receivables as a tool to improve the financial condition of the enterprise. Accounting for receivables in Ukraine is regulated by the following legislative acts: Law of Ukraine "On Accounting and Financial Reporting in Ukraine", UAS 10 "Accounts Receivable", UAS 11 "Liabilities", P (S)) BU 13 "Financial Instruments", Tax Code of Ukraine. At the same time, there are the following problematic issues in the accounting of receivables (Fig. 1).

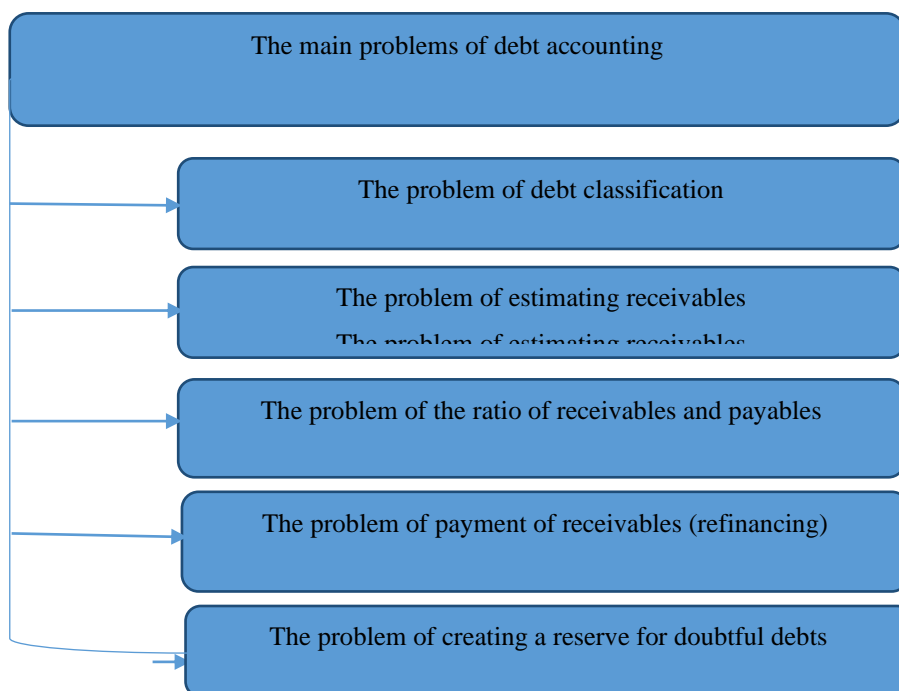


Fig. 1. Problems of debt accounting

To address these issues and improve the accounting of receivables, the following measures can be proposed:

1) use the method of accrual of the provision for doubtful debts on the basis of the classification of receivables for goods, works, services by maturity (up to 3, 6 and 12 months).

Accounts receivable (hereinafter referred to as DZ) are an important part of working capital. Current assets of this type have a significant share in the structure of the balance sheet of the enterprise. In its economic essence, DZ is the funds temporarily withdrawn from the turnover of the enterprise, in the form of liabilities, and expressed in any form. The volume of DZ depends on many factors: the type of product, the degree of market saturation of these products, the system of settlements adopted at the enterprise, etc.

To ensure the effectiveness of DR management, it is necessary to classify it, which will depend, first of all, on the reliable accounting of DR. According to the International Financial Reporting Standard (IFRS 7 "Statements of Cash Flows" [10]), SD can be classified not only in the expected maturity (current, long-term), but also by type of activity of the enterprise. Based on this classification, the company's DZ is divided into 3 types: 1) operating, or basic, DZ; 2) financial DR associated with attracting investment; 3) investment funds related to the investment of temporarily free funds. However, many researchers have paid attention to the problem of classification, as a result of which in the scientific literature there are many types of DR, which complement the theory of DR management and improve the accounting of DR. A significant achievement of L. Pacioli is the introduction of the first classification of sources of debt for goods: cash, credit, exchange of goods for goods, repayment of accounts receivable [11, p. 40]. Although in his treatise "On Accounts and Records" the author does not give a clear classification of accounts, but it is already a certain grouping. Noteworthy are the views of LI Gomberg on the assessment of receivables, all debts the scientist divided into four groups: undoubtedly reliable, from their amount should be deducted in the reserve to cover doubtful debts 5%; unsecured debts must be shown in the balance sheet asset at 80% of the total; doubtful debts are included in the balance sheet in the amount of 50% of the total amount; bad debts are subject to immediate transfer to the account of losses and profits [12, p. 260]. Chornenka presents the classification of the enterprise's debt, including the debt, on the basis of its division by the nature of its occurrence into objective, which naturally arises as a result of economic activity of the enterprise, and artificially formed, usually formed between entities, related property relations, in order to artificially increase the value of their assets, reduce tax liabilities, etc. [13, p. 3]. Bilyk notes the need to reflect receivables in the balance sheet by liquidity level and its division depending on the maturity into long-term and short-term, which is more useful for users of financial statements to assess the financial condition of the company, provides more complete information on receivables financial liabilities for cash [15, p. 24-36]. О. І. Кобилянська класифікує поточну дебіторську заборгованість за ступенем

дотримання фінансової дисципліни на виправдану та невивиправдану [14, с. 202]. Kobylyanska classifies current receivables according to the degree of compliance with financial discipline as justified and unjustified [14, p. 202]. However, in our opinion, limiting the repayment period to one month for justified receivables is not entirely correct. The justification of the debt can be determined only after its actual repayment and establishment of compliance with the terms specified in the executed contracts. B. Needles, H. Anderson, D. Caldwell classify DR according to the degree of probability as follows: actual (arising from a contract, contract or law); estimated (liabilities, the exact amount of which cannot be determined before a certain date); conditional (non-existent obligations, which are potential obligations, as they depend on the future event arising from the future agreement) [16, p. 25]. It should be noted that the authors gave the same classification to accounts payable. Of interest are the considerations on the classification of DZ authors NI Verkhoglyadova, VP Shilo, SB Ilyina, who propose to divide the liabilities depending on the order of determining the amount to repay the liability into actual and potential. Real liabilities arise on the basis of an agreement, contract, received invoice (as a rule, the amount of debt and maturity are specific and are specified in the relevant documents). In turn, depending on the maturity, real liabilities are divided into current and long-term. Contingent liabilities are characterized by the fact that the amount and term of payment for them are not determined and depend on future events. Contingent liabilities are divided into secured, contingent liabilities and deferred income [17, p. 123]. In his study of the problems of classification of DZ NR Dombrowska notes that the DZ should also be classified according to the objects for which it arose. On this basis, it is proposed to distinguish the following types of drugs:

the lessee's debt under the finance lease, which is reflected in the lessor's balance sheet; debt is secured by promissory notes; loans granted; receivables for products, goods, works, services; receivables on settlements (with the budget, on the issued advances, on the accrued incomes, on internal settlements); another DZ [18, p. 185].

If the DR on the basis of classification can not be attributed to short-term debt, it is classified as long-term DR. An important addition to the classifications of drugs is the classification of long-term drugs, which is considered by NS Акимова, О.В. Топоркова, Т.О. Євлаш, О.О. Speech by the following types: long-term DZ for property transferred for financial lease; long-term DZ for goods, works, services; long-term promissory notes received in national currency; long-term promissory notes received in foreign currency; other long-term DZ [19, p. 55]. Important for management purposes is the classification of DR depending on the solvency of debtors. On this basis, it is divided into doubtful and hopeless. Doubtful is determined by the DR, for which there is uncertainty in repayment by the debtor. DZ, in respect of which there is confidence (grounds) in its non-repayment by the debtor or for which the statute of limitations has expired, is considered

hopeless [15, p. 24-36]. There are also such special types of DR as deferred tax assets and deferred expenses. Deferred tax assets are the amount of income tax that is recoverable in subsequent periods and arises when the accounting profit is less than the tax. Deferred tax assets should be recognized in long-term tax assets, as they are repaid after twelve months from the balance sheet date. Deferred expenses are separated from long-term (payments received from counterparties during the normal operating cycle) and current receivables (receivables that will be repaid after twelve months from the balance sheet date). There is a contradiction regarding the attribution of this type of DZ to long-term or short-term [19, p. 53-60]. The classification of drugs is diverse and quite complex, there is a wide range of its types, which have specific economic aspects of this category and stand out in the scientific problem, the only approach to solving which among scientists is not. Guided by the purpose of this study, it is necessary to add to the above classifications own types of drugs, based on the feasibility of taking into account in the management of drugs some of its essential characteristics. The first characteristic of the drug for goods, works, services, we associate with the life cycle of the goods sold. The economic content of the classification of drugs on this basis is to determine the degree of innovation of the product, which is formed by drugs; this classification is designed to show how actively customers are willing to invest in innovative products. It is expedient to divide DZ on such types: - DZ for the goods which are new in the market; - DR for goods that are most popular on the market; - DZ for goods leaving the market. High indebtedness of buyers for a new product that has just entered the market and usually awareness of it is minimal, may indicate that the manufacturer is "in the top ten" by implementing the production of this product, and / or the effectiveness of marketing in the enterprise, including advertising campaigns dedicated to a new product.

A large DZ for an old product that has already passed the stage of maturity may be evidence of an effective credit policy of the enterprise and so on. The following characteristic of DR is related to the impact on the market value of the enterprise and its investment attractiveness. Therefore, on the basis of the impact on the market value of the enterprise DZ should be divided into: - DR, which has a positive effect on the value of the enterprise - which generates additional net cash flow by increasing sales; - DR, which negatively affects the value of the enterprise - the cost of servicing which exceeds the benefits of its formation; - DR, which does not affect the value of the enterprise - provides for equality of additional income and expenses from the formation of such DR. It is important to note that the company, depending on the objectives, can independently choose or select a feature of the classification of drugs. For example, in certain cases it is expedient to divide the DR according to the degree of compliance with financial discipline into acceptable and unjustified [15, p. 32]. The latter occurs due to the presence of shortcomings in the activities of the enterprise, for example, in the detection of deficiencies, theft of inventory and funds. The division of DZ into

these two types provides an opportunity to trace violations of financial and settlement discipline and identify the facts of poor performance of the counterparty, lack of funds from the buyer, unsatisfactory organization of its accounting; poor work of the supplier - violation of supply agreements, etc. ;

2) use the method of settlement with buyers, which is widely used in countries with developed market relations - the method of providing discounts for early payment;

3) create a reserve for doubtful debts based on the results of the inventory of the DR at the end of the year before reporting, and use it during the reporting year. The provision for doubtful debts should be formed in the context of each debtor, in terms of non-repayment of receivables and depending on the size of the enterprise and the volume of activity. This will make it possible to obtain information on the amount of receivables that is considered doubtful; on the amounts of written-off drugs within and above the reserve for doubtful debts; on the amount of debt that was previously declared bad [9];

4) increase the number of buyers and customers of the enterprise to reduce the risk of default;

5) improve control over the status of settlements with debtors, in particular overdue debts, timely detection of such types of receivables that are unacceptable for the company;

6) make changes to UAS 10 "Accounts receivable", which would clearly distinguish between the concepts of long-term and short-term receivables. Their accounting is currently conducted in various accounting accounts, which is not specified in the above standard. At the same time, it should be noted that the current DR is a current asset, and long-term - non-current, and they are accounted for in different accounts [5];

7) monitor potential debtors (assessment of financial condition and solvency, market reputation, image, etc.);

8) it would be appropriate to assess receivables using international standards;

9) the ratio of receivables should be monitored in a timely and periodic manner. After all, a significant excess of credit over creditor poses a threat to the financial stability of the enterprise and requires the involvement of additional sources of funding. Payment of receivables is a form of asset restructuring, which consists in the transfer of DZ to liquid forms of assets.

The main types of receivables payment (refinancing) are promissory note accounting, forfaiting and factoring. Today, the most popular forms of drug refinancing in the world are factoring and forfaiting, but in Ukraine they have not yet become widespread due to the lack of the necessary legal framework and proven accounting methods, while their use would accelerate the conversion of drugs into cash assets.

Conclusions and prospects for further research in this area

In modern business conditions, a large number of enterprises and organizations are in a difficult situation, having a fairly large problem of non-payment. Settlements with buyers and customers are one of the necessary components of expanded reproduction, for the

normal provision of which constant monitoring of its course is required, which is achieved by analyzing the settlement operations of the enterprise. The organization of accounting for receivables in the enterprise of any form of ownership is important because it helps to organize the information, transparency and reliability of data from settlement transactions with debtors. Accounting and analytical support of receivables should be organized in such a way as to sufficiently reflect and characterize all economic activities with sufficient specification, this is what determines the further direction of research in the field of accounting and analytical

support of receivables management in the enterprise. The article also reveals the main essential characteristics and approaches to the classification of receivables, analyzes the different views of scientists - economists on the existing types and types of receivables. Taking into account current trends in the development of successful world economies, two new classification features are proposed: 1) depending on the innovativeness of the product on which receivables are formed; 2) depending on the impact of receivables on the market value of the enterprise.

References

1. Polozhennya (standart) buhgalterskogo obliku 10 «Debitorska zaborgovanist», zatverdzheno MInIsterstvom fInansIv UkraYini vId 08.10.99 r. 237 (2001). BuhgalterIya. 52/2(467) [in Ukrainian]
2. Polozhennya (standart) buhgalterskogo obliku 11 «Zobov'yazannya», zatverdzheno MInIsterstvom fInansIv UkraYini vId 08.10.99 r. 237(2001). BuhgalterIya [in Ukrainian]
3. Bilik M.D. (2017) Upravlinnya debItorskoyu ta kreditorskoyu zaborgovanIstyu pIdpriEmstv/FInansi UkraYini. Kyiv [in Ukrainian]
4. Dubrovska E.V. (2016) Doslidzhennya sutnostI ponyattya «OsoblivostI upravlinnya debItorskoyu ta kreditorskoyu zaborgovanIstyu» E. V. Dubrovska VIsnik Sumskogo derzhavngo unIversitetu. Ser. EkonomIka. – Sumi: SumDU, 2. S. 202-205 [in Ukrainian]
5. Ribalko O.M. (2010) DeyakI aspekti upravlinnya debItorskoyu zaborgovanIst O.M. Ribalko . EkonomIchnI nauki. 9/8 s. 164-167 [in Ukrainian]
6. Moskalyuk G.O. (2013) Sistema vnutrIshnogo kontrolyu debItorskoYi ta kreditorskoYi zaborgovanostI: napryami udoskonalennya I rozvitku G. O. Moskalyuk Efektivna ekonomIka. 4. S. 29-32 [in Ukrainian]