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Balancing the Books in the New Era of Accounting

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Abstract

The purpose of the article is to highlight the analytical aspects of improving the balance sheet, taking into account the conditionality of this problem by the approved form of the balance sheet and the established methods of its analysis; substantiate the proposals that will provide unambiguity in the calculations of the main analytical indicators according to the balance sheet, which is a necessary condition for the unity of the methodological basis of both internal and external analysis of the financial condition of economic entities. According to UAS 1 "… balance sheet - a report on the financial condition of the enterprise, which reflects at a certain date its assets, liabilities and equity.

Kewords:

Problems, Accounting Balance, substantiate, financial condition.

Introduction

The content and form of the balance sheet, the requirements for the disclosure of its articles are regulated P (s) BU 2, which applies to the balance sheets of enterprises of all forms of ownership, except banks and budgetary institutions [2] . However, it should be noted that the balance sheet and other forms of financial reporting, despite significant changes made during their transformation, still do not fully meet the requirements of international accounting and financial reporting standards and financial management issues. In particular, this applies to the principle of materiality of information. International standards stipulate that the materiality of information is determined primarily by the management of the enterprise, based on how seriously this information can affect the user's reporting management decisions. However, national UASs provide a strict list of financial statements.

When compiling balance sheets, Ukrainian enterprises still do not fully adhere to the principle of net valuations, which in some cases is associated with the introduction into the balance sheet currency of synthetic accounts 17 "Deferred tax assets", 54 "Deferred tax liabilities" or sub-accounts 643 "Tax liabilities", 644 "Tax credit". Departure from net estimates was intensified with the introduction of the Regulation on the procedure for calculating tax differences according to accounting data (currently abolished in accordance with the order of the Ministry of Finance).

The current balance sheet does not fully meet the needs of control over compliance with the "golden rule of liquidity" adopted in financial management, according to which the company's assets must be financed by liabilities of the same maturity. This is due to the lack of clear delineation in the balance sheets of Ukrainian enterprises of current and non-current assets and liabilities. The developers of the national UAS recognize that Section II of the liabilities of the balance sheet "Ensuring subsequent expenses and payments" and Section V "Deferred income" are liabilities with indefinite maturity [3, p.90]. For example, staffing costs are mostly current liabilities. Targeted funding commitments or other commitments may include both current and long-term commitments. The same can be said about section V of the liabilities of the balance sheet "Deferred income". Section III of the asset of the balance sheet "Deferred expenses" may reflect both costs relating to the next accounting period recognized as current assets and costs that will be attributed to later periods recognized as non-current assets. Regarding these costs, the developers of P (s) BU believe: "If the company incurred in the reporting period and other costs, the balance sheet should reflect them separately, if their value is significant".

However, with a rigid list of reporting items, it is not always possible to consistently adhere to the materiality principle, as only one item is allocated in the balance sheet to reflect future expenses, and additional information on these expenses is not provided in the notes to the annual financial statements. The lack of a clear division of assets and liabilities into current and long-term creates difficulties for users of financial statements when assessing the financial condition of the enterprise. In this regard, to improve the accuracy of financial analysis, some scholars suggest reflecting in the Notes to the annual financial statements the composition of the item "Deferred expenses" in terms of non-current and current assets, and "Deferred income" - in terms of long-term and current liabilities [4, p .373]. The implementation of this proposal does not require changes to the balance sheet. However, it applies only to the annual financial statements and does not affect the quarterly. Z. Zadorozhny and J. Krupka proposed a radical way to solve this problem. Based on the analysis of capital from the standpoint of the theory of ownership, they believe that the attribution of deferred income and items to ensure subsequent costs and payments to liabilities is unreasonable, and therefore propose to include them in the company's equity [5, p .185- 188]. Then there is no need to separate in the liabilities of the balance of sections II "Ensuring subsequent costs and payments" and III "Deferred income". It should be noted that the Instruction on the application of the Chart of Accounts for assets, capital, liabilities and business operations of enterprises and organizations, characterizing the accounts of class 4 "Equity and liabilities", simultaneously refers to all types of collateral to the type of equity. The current form of the balance sheet of domestic enterprises does not yet fully meet the requirements of international standards of accounting and financial reporting, the needs of analysis and financial management. In particular, this applies to the peculiarities of the interpretation of the principle of materiality of information in national UAS, some deviation from net estimates, unsatisfactory information support for monitoring compliance with the "golden rule of liquidity". Improving the balance sheet and methods of calculating individual analytical indicators based on it will contribute to the unambiguous interpretation of analysis tools in government recommendations and economic literature, which is a necessary condition for ensuring the adequacy of estimates of financial condition of economic entities.

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