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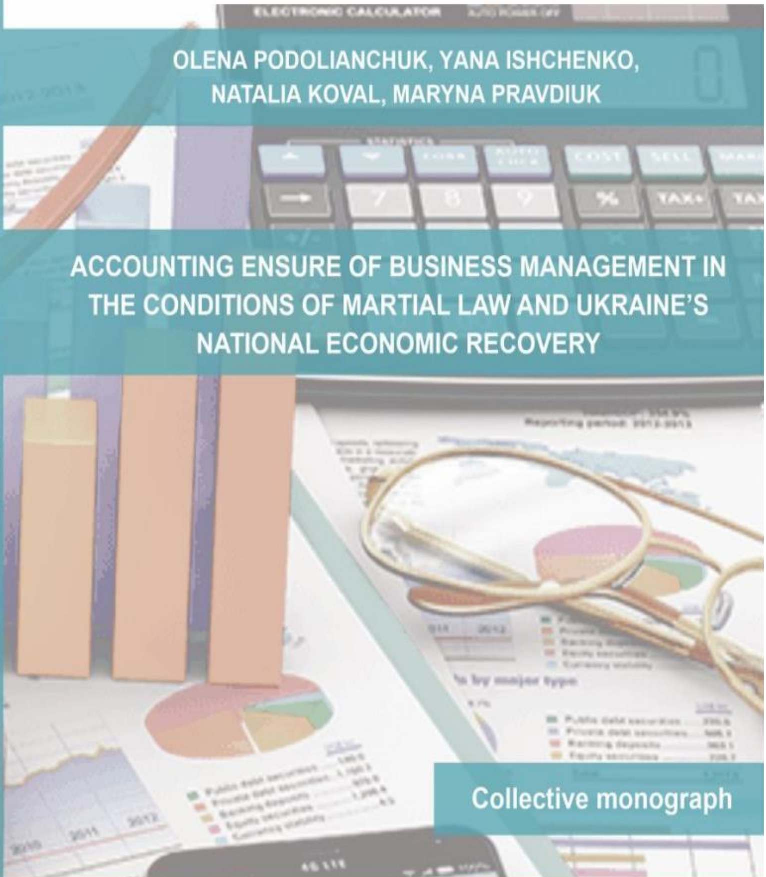

ACCOUNTING ENSURE OF BUSINESS MANAGEMENT IN THE CONDITIONS OF MARTIAL LAW AND UKRAINE'S NATIONAL ECONOMIC RECOVERY

Collective monograph

ACCOUNTING ENSURE OF BUSINESS MANAGEMENT IN THE CONDITIONS OF MARTIAL LAW AND UKRAINE'S NATIONAL ECONOMIC RECOVERY

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ACCOUNTING FOR BUSINESS MANAGEMENT UNDER THE CONDITIONS OF MARITAL STATE AND THE RECOVERY OF THE NATIONAL ECONOMY OF UKRAINE

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In this monograph, the authors summarized and supplemented the results of many scientific justifications and developments. Considerable attention is paid to the study of accounting and taxation issues in the context of modern management concepts and risks of martial law in Ukraine.

The materials of the monograph reflect the results of research carried out as part of the research work “Improvement of accounting and taxation of business entities in the conditions of modern concepts of management and global challenges” (state registration number: 0122U201989).

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3.1. Theoretical aspects of the economic essence and classification of the company's income as an accounting object

In connection with the full-scale aggression of the Russian Federation against Ukraine, domestic business entities faced severe challenges. If earlier the main orientation of the business was profit making, cost minimization, then after February 24, 2022, the owners and managers of enterprises took responsibility for saving the lives and health of employees, preserving the material and technical base, and, rather, restoring the normal operation of the enterprise.

In the conditions of martial law, the main goal of every enterprise is to obtain the largest possible amount of income and profit. It is important to introduce such systems for obtaining information about income, determining the financial result, methods of income analysis, as well as, based on the received data, effective management decisions that would be adequate for Ukraine on the way to overcoming the consequences of military aggression inflicted by the Russian Federation.

Economic transformations associated with full-scale aggression require constant improvement of management functions, the performance of which primarily depends on the effectiveness of using reliable and high-quality accounting information. The problem of its quality and reliability in the modern conditions of accounting according to national regulations (standards) of accounting has become particularly acute (Ishchenko, Podolyanchuk, Koval 2021).

Profit is the result of the multidirectional movement of cash flows, which is characterized by the income and expenses of the enterprise. Income and expenses, as interrelated factors of the formation of the company's profit, should be studied at all stages of their formation. In a generalized form, profit can be considered as the difference between the income received by the enterprise for the corresponding period as a result of its activity, and the expenses incurred in the same period as

[3] Koval N.I.
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a result of its activity.

The author is N. Koval notes that state policy should be aimed at stimulating and developing small and medium-sized businesses: increasing the volume of state guarantees of loans or a share of the guarantee, expanding the rights of enterprises; credit intermediation; special guarantees and loans; subsidizing interest rates (Koval, 2015).

The works of scientists and specialists are devoted to the study of the economic essence, income classification and their formation: R. Brukhanskyi (2016), Ya. Ishchenko (2021), H. Kaletnik (2020), N. Koval (2022), O. Konovalova (2018), T. Mulyk (2017), O. Podolyanchuk (2009, 2021), N. Pravdyuk (2015), O. Radchenko (2013), A. Reznichenko and others (2016).

In the general definition, income is an increase in economic benefits in the form of an inflow of assets or a decrease in liabilities, which leads to capital growth (except for growth due to owners' contributions to the authorized capital). This definition meets the requirements for the recognition and classification of income from the ordinary activities of the enterprise, which are contained in the National accounting regulation (standard) 15 “Income”.

According to NR(S)A 15, income is determined during an increase in an asset or a decrease in a liability, which leads to an increase in equity (with the exception of an increase in capital due to the contributions of the participants of the enterprise), provided that the assessment of income can be reliably determined (NR(S)A 15 Income, 1999).

Therefore, NR(S)A 15 applies to all business entities – legal entities, regardless of whether they aim to make a profit or not (including non-profit organizations). Although the accounting of income of non-profit organizations has its own peculiarities (Legislation news, 2021)

It should be noted that the norms of NR(S)A 15 do not apply to income related to:

– lease agreements – NR(S)A 14 works here;

– dividends, which belong to the results of financial investments and are accounted for by the method of equity participation. These revenues are accounted for in accordance with NR(S)A 12;

– insurance activities (insurers prepare financial statements according to international standards in accordance with Part 2 of

Article 12-1 of the Law on Accounting and Financial Reporting in Ukraine) (Law of Ukraine On accounting and financial reporting in Ukraine, 1999);

– changes in the fair value of financial assets and financial liabilities, as well as liquidation (sale, repayment) of said assets and liabilities (this is the prerogative of NR(S)A 13);

– hanges in the value of other current assets (in particular, exchange rate differences for assets expressed in currency (NR(S)A 21);

– initial recognition and change in fair value of biological assets related to agricultural activities and initial recognition of agricultural products – these issues are regulated by NR(S)A 30;

– extraction of minerals – these operations are regulated by NR(S)A 33.

According to NR(S)A 1 "General requirements for financial reporting", income is an increase in economic benefits in the form of an increase in assets or a decrease in liabilities, which leads to an increase in equity (with the exception of an increase in capital at the expense of owners contributions) Table 3.1. (NR(S)A 1 General requirements for financial reporting, 2013).

Table 3.1

Definition of terms according to NR(S)A 1 "General requirements for financial reporting"

Deadlines	Definition of terms
Costs	decrease in economic benefits in the form of disposal of assets or increase in liabilities, which lead to a decrease in equity (with the exception of a decrease in capital due to its withdrawal or distribution by owners)
Income	an increase in economic benefits in the form of an inflow of assets or a decrease in liabilities that lead to an increase in equity (except for an increase in capital due to owners' contributions)
Profit	the amount by which revenues exceed related expenses
Loss	excess of the amount of expenses over the amount of income for which these expenses were incurred

Source: (Ishchenko, Podolianchuk, Koval 2021)

Ehe objective necessity of obtaining income by enterprises and ensuring stable profit based on them is measured by the economic laws of commodity production and conducting activities on the basis of self-financing. In today's conditions, the efficiency of the management of agricultural enterprises depends on their independent provision of resources necessary to cover costs and generate profit.

The inconsistency of the essence of the concept of “income” in the provisions of accounting, other regulatory documents, and the views of scientists determined the need to conduct research related to clarifying the economic nature of the studied category (Ishchenko, Podolyanchuk, Koval 2021).

For the purposes of the conducted research, the delineation of the position of modern scientists in the part of the formation of the economic entity “income” is justified, and the actual definition of the studied concept has been formed.

Therefore, income according to the accounting and tax accounting system means the receipt of financial benefits of the reporting period, arising as a result of the enterprise’s activities in the form of proceeds from the sale of products (goods, works, services), rewards, interest, dividends (Koval, 2022).

Normative information on the company’s income by areas of use is intended, first of all, to provide such management functions as analysis, control and forecasting of income. Special attention should be paid to the appropriate regulatory provision of accounting for the income of enterprises, since accounting and analytical information is also formed in the process of disclosure of information contained in financial statements, and economic analysis ensures qualitative and quantitative disclosure of such information.

The main legislative acts of regulatory regulation of income recognition and accounting are shown in Table 3.2.

Table 3.2

Basic legal acts on accounting of income and expenses

Normative acts	Date of acceptance and number
National regulation (standard) of accounting 1 “General requirements for financial reporting”	Law of Ukraine dated February 7, 2013 No. 73
National regulation (standard) of accounting 15 “Incom”	Law of Ukraine dated November 29, 1999 No. 290
Tax Code of Ukraine	Law of Ukraine dated December 2, 2010 No. 2755-VI

Source: (Ishchenko, Podolianchuk, Koval 2021)

The analysis of the main provisions of regulatory and legal documents showed that it is worth paying more detailed attention to the issue of income classification.

Recognized income is classified in accounting according to the following groups:

– income (revenue) from the sale of products (goods, works, services);
– net income from the sale of products (goods, works, services);
– other operating income;
– financial income;
– other incomes (Legislation news, 2021).

Income (revenue) from the sale of products (goods, works, services) – total income (revenue) from the sale of products, goods, works or services without deducting the discounts provided, the return of previously sold goods and indirect taxes and fees (value added tax, excise collection etc).

Net income from the sale of products (goods, works, services) is determined by deducting from the income from the sale of products, goods, works, services the discounts provided, the value of returned goods previously sold, the income that belongs to the principals (principals, etc.) according to the contracts, and taxes and meetings.

The composition of other operating income includes amounts of other income from the company's operational activities, except for net income from the sale of products (goods, works, services), in particular: income from operating lease of assets; income from operational exchange rate differences; reimbursement of previously written-off assets; income from royalties, interest received on balances of funds in current accounts in banks, income from the sale of current assets (except financial investments), non-current assets held for sale, and disposal groups, etc.

Financial income includes dividends, interest and other income received from financial investments (except for income accounted for by the equity method).

Other income includes, in particular, income from the realization of financial investments; income from non-operational exchange rate differences and other incomes that arise in the course of economic activity, but are not related to the operational activities of the enterprise.

Since incomes arise in the course of the enterprise's activity, their classification is carried out in accordance with the types of activity, as a result of which they arose.

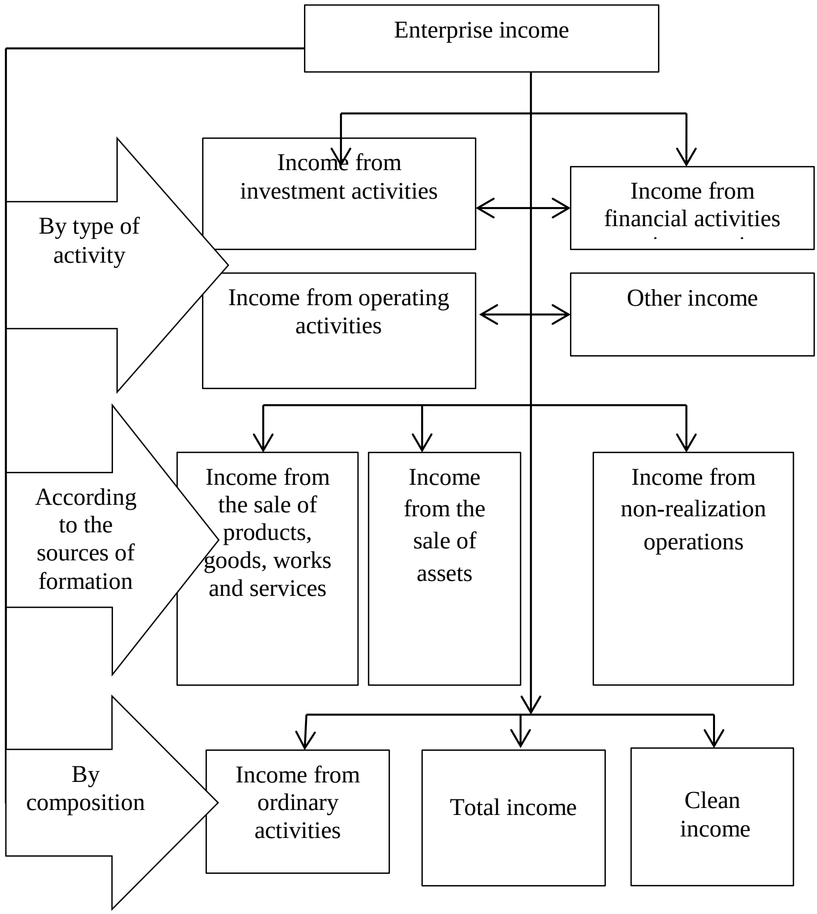

Fig. 3.1. Classification and components of the company's income
Source: (Voloshyna, 2019)

It should also be remembered that the National Regulation (standard) of accounting 15 "Income" defines the methodological principles of the formation in accounting of information about the company's income and its disclosure in financial reporting and defines the following terms (Ishchenko, Podolyanchuk, Koval 2021).

Interest is a fee for the use of cash, their equivalents or sums owed to the enterprise.

Royalty – any payment received as a reward for the use or for granting the right to use any copyright and related right in literary works, works of art or science, including computer programs, other recordings on information carriers, video – or audio tapes, cinematographic films or films for radio or television broadcasting, any patent, registered trade mark or trademark, design, secret drawing, model, formula, process, right to information relating to industrial, commercial or scientific experience (now-how) (Podolianchuk, 2010).

The exchange rate difference is the difference between the valuations (that is, the book value) of the same number of foreign currency units at different exchange rates.

Income classification for accounting purposes is shown in Fig. 3.2.

The introduction of market management mechanisms, the reform of economic relations, the variety of forms of ownership, transformational processes in the agrarian economy led to the formation of new institutional units that participate in the economic process, and therefore use accounting information. Recognition of the importance of the mission of agricultural production in ensuring the economic and food security of the state requires a review of the general purpose of the agricultural enterprise. Along with the financial and economic, the social, biological, ecological components of the effectiveness of agricultural activity are growing. This leads to the appearance of new, atypical requests for accounting information about the company’s performance (Podolianchuk, 2010).

The analysis of the main provisions of regulatory and legal documents showed that it is worth paying more detailed attention to the issue of income classification.

R. Brukhansky lassifies income by the following groups: income from operating activities; income from financial activities; other incomes. T. Davidyuk, O. Manoilenko, T. Lomachenko, A.Reznichenko classifies income according to the following groups: income (revenue) from the sale of products (goods, works, services); net income from the sale of products (goods, works, services); Other operating income; financial income; other income (Brukhansky, 2016).

N. Gurina offers the following classification of enterprise income, namely:

– by the form of receiving income (tangible, intangible (non-monetary));

Income classification according to NAR(S) 15 "Income"

Income (revenue) from the sale of products (goods, works, services) total income (revenue) from the sale of products, goods, works or services without deducting the discounts provided, the return of previously sold goods and indirect taxes and fees (value added tax, excise duty etc)

Net income from the sale of products (goods, works, services) is determined by deducting from the income from the sale of products, goods, works, services the discounts provided, the value of returned goods previously sold, the income that belongs to the principals (principals, etc.) according to the contracts, and taxes and meetings

The composition of other operating income includes amounts of other income from the company's operational activities, except for net income from the sale of products (goods, works, services), in particular: income from operating lease of assets; income from operational exchange rate differences; reimbursement of previously written-off assets; income from royalties, interest received on balances of funds in current accounts in banks, income from the sale of current assets (except financial investments), non-current assets held for sale, and disposal groups etc.

Financial income includes dividends, interest and other income received from financial investments (except for income accounted for by the equity method).

Other income includes, in particular, income from the realization of financial investments; income from non-operational exchange rate differences and other incomes that arise in the course of economic activity, but are not related to the operational activities of the enterprise.

Fig. 3.2. Income classification according to NR(S)A 15 "Income"

Source: (formed by the author on the basis of NR(S)A 15 Income, 1999)

– by recognition (planned, received (actual));

– by periodicity (current, future periods);

– according to the degree of materiality (material, non-material);

– by revenue centers (main production revenue center, auxiliary production revenue center);

– by geographic segment (this classification feature is typical for enterprises that include subsidiaries or separate divisions);

– in view of the object of implementation (implemented, manufactured) (Gurina, 2015).

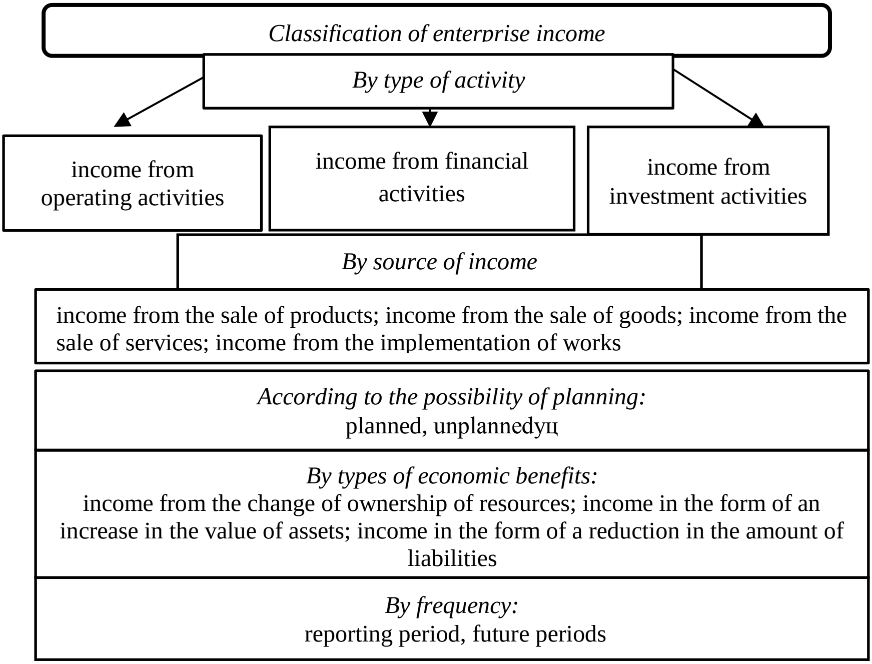

Fig. 3.3. Classification of enterprise income

Source: (Poslavska, 2016)

We agree with L. Poslavska proposal regarding income classification, which proposes to classify income as:

– by type of activity;
– degree of controllability;
– income structure under the construction contract;
– relation to budget indicators;
– type of production.

The proposed approach to the classification of income will ensure their reliable accounting, will allow obtaining information on the composition of income by types of activity of the responsibility center, establish deviations from the specified parameters and their causes, will provide an opportunity to track the movement of cash and their equivalents (Poslavska, 2016). It should also be noted that International Financial Reporting Standard 15 “Revenue from contracts with customers” defines: income is an increase in economic benefits during the reporting period in the form of income or improvement of assets or reduction of liabilities, which leads to an increase in equity, in addition to an increase in equity capital associated with receiving contributions from equity participants (International Financial Reporting Standard 15 "Revenue from Contracts with Customers", 2017).

Our research on scientific approaches related to the classification of incomes revealed that the incomes of enterprises are grouped only by types of activities and their accounting classification. The information collected on the basis of this classification meets the needs of external users, but it is not sufficient to meet the needs of the management and owners of the enterprise. Income is presented as an object not only of accounting, but also of control and management is neglected (Ishchenko, Podolianchuk, Koval 2021).

The income classification given in Table 3.3 is used for the needs that arise in the process of managing the enterprise. The management department considers each individual case of the enterprise's economic activity. Consequently, it enables him to control the revenue accounting function, to make management decisions on which areas need to be paid more attention to, and which are the most vulnerable areas in entrepreneurial activity. Combining the analysis of sources of income generation, ways of implementation, terms of payment for products (goods, works, services) ultimately leads to cooperation with the most useful buyers, creditors, investors.

It should be noted that the modern management of agricultural enterprises directly depends on the clear organization of accounting. Income assessment is carried out in the presence of appropriately executed primary documents: acts of acceptance and transfer; invoices; goods transport invoices; bank statement; court decisions and other documents confirming the fact of increased income (Ishchenko, Podolianchuk, Koval 2021).

The definition of income in the National accounting regulation (standard) 1 "General requirements for financial reporting" is similar to the interpretation of income proposed in the International Financial Reporting Standard 15 "Income from contracts with customers".

According to NAR(S) 1, income is interpreted as an increase in economic benefits in the form of an inflow of assets or a decrease in liabilities, leading to an increase in equity (with the exception of an increase in capital at the expense of owners’ contributions (NR(S)A 1 General requirements for financial reporting, 2013).

Table 3.3

Income classification for enterprise management needs

No.	Signs of classification	Classification
1	Upon receipt	Real, possible
2	By recognition method	Accrued, received
3	According to the possibility of management	Subject to management, not subject to management
4	By methods of receipt	Permanent, random
5	By planning	Planned, unplanned
6	In essence	Essential, non-essential
7	By source of receipt	Internal, external
8	By type of economic operations	From sales, from financial operations, from investment activities, other incomes
9	By economic segments	Type of products (goods, works, services), category of buyers and risks that are characteristic of this activity, income generation
10	By degree of manageability	Relevant, irrelevant.

Source: (formed by the author based on Podolianchuk, 2010)

A certain difference is that in NAR(S) 1 it is noted that an increase in economic benefits occurs in the form of an inflow of assets or a decrease in liabilities, whereas in IFRS 15, an increase in economic benefits also includes an improvement in assets. According to Accounting Regulation (standard) 15 “Income” dated November 29, 1999, No. 290, income is determined when an asset increases or liabilities decrease, which lead to an increase in equity (with the exception of an increase in capital due to the contributions of the founders of the enterprise), provided that the income estimate can be reliably determined.

Therefore, the definition of income according to international and national accounting standards is related to the receipt of economic benefits. In dictionaries and encyclopedic editions, the term «benefit» is interpreted as: satisfaction received from the consumption (use) of material goods and services, benefit, profit, profit; obtaining certain advantages, additional income, profit (Podolianchuk, 2018).

3.2. The main aspects of the recognition and assessment of the company's income in relation to the needs of financial reporting

All wars are primarily economic wars. Therefore, the economy and business should work. For this, the state must adapt the tax burden and tax rules to wartime conditions, in order to facilitate the survival of business in wartime conditions. In this material, we will briefly consider what changes the tax legislation for business underwent under the influence of the military aggression of the Russian Federation.

Determining the efficiency of an enterprise is often not easy. Various parameters and complex calculation tools are used for this purpose. However, when planning and analyzing current activities, the main financial indicators are always used: revenue, income and profit. To apply them to obtain important information and prepare financial statements, it is worth remembering the basic sequence: revenue/revenue/gross profit/operating profit/profit before tax/net profit. The ability to operate these indicators significantly facilitates the formation of financial results of the enterprise.

According to the section "Revenue estimation" of NR(S)A 15 "Income", income is reflected in accounting in the amount of the fair value of assets received or to be received (NR(S)A 15 Income, 1999).

If an asset received free of charge provides the receipt of economic benefits during several accounting periods, then the income is recognized on a systematic basis (for example, in the amount of accrued depreciation) during those accounting periods when the corresponding economic benefits are received.

In case of delay in payment, as a result of which there is a difference between the fair value and the nominal amount of cash or their equivalents to be received for the products (goods, works, services and other assets), such difference is recognized as income in the form of interest (Ishchenko, Podolyanchuk, Koval 2021).

The amount of income under a barter contract is determined by the fair value of assets, works, services received or to be received by the enterprise, reduced or increased, respectively, by the amount of transferred or received cash and their equivalents.

If the fair value of assets, works, services received or to be received under a barter contract cannot be reliably determined, then income is determined based on the fair value of assets, works, services (except cash and their equivalents) transferred under this barter contract (Podolyanchuk, 2010).

In today's realities, most business entities are in great need of any kind of help (funds, fixed assets, stocks).

The basic principles of charitable activities in Ukraine are regulated by the Law of Ukraine dated July 5, 2012 No. 5073-VI "On Charitable Activities and Charitable Organizations", as amended (Law About Charitable Activities and Charitable Organizations, 2012).

Article 1 of Law No. 5073 defines that charitable activity is voluntary personal or property assistance to achieve the goals defined by this Law, which does not involve the benefactor receiving a profit, as well as the payment of any remuneration or compensation to the benefactor on behalf of or on behalf of the beneficiary.

It should be noted that a philanthropist is an able-bodied individual or a legal entity under private law who voluntarily carries out one or more types of charitable activities (Law About Charitable Activities and Charitable Organizations, 2012).

The accounting of charitable aid is affected by the targeted or non-targeted nature, the form of receipt – cash, stocks, fixed assets, works, services.

Relations with a benefactor must begin with a written confirmation of the desire of both parties to participate in a charity event.

Legal entities seal the transfer of assistance with a gift or donation contract (Article 717 of the Civil Code of Ukraine). The donation contract provides for the intended use of the property, which is transferred by the benefactor to the recipient-beneficiary.

The gift contract does not make such a claim. The subject of a gift (donation) contract can be both movable properties, including cash and securities, and real estate (Article 718 of the Civil Code of Ukraine). Contracts must be concluded in writing, except for transactions that are fully performed by the parties at the time of their conclusion (Article 206 of the Civil Code of Ukraine). Notarize the real estate transfer agreement (Law of Ukraine Civil Code of Ukraine, 2003).

The receipt of assistance from a natural person shall be formalized by an act of arbitrary form, but with all the mandatory details of the primary document (Article 9 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 07.16.1999 No. 996-XIV).

The act is drawn up by a commission appointed by order of the head of the enterprise in the presence of the benefactor. Stocks and fixed assets received as a gift without supporting documents are assessed by the commission at their fair value (clause 12 National Regulation (standard) of accounting 9 “Inventories”; clause 10 National Regulation (standard) of accounting 7 “Fixed Assets”) (Law of Ukraine “On accounting and financial reporting in Ukraine”, 1999; NR(S)A 7 “Fixed assets”, 2000; NR(S)A 9 “Inventories”, 1999).

Obtaining assistance from the legal entity is carried out with the help of the following documents, depending on the type of assistance, Table 3.4.

Table 3.4

Documentation of the received legend from the legal chamber

Document	Help Source
Act of acceptance and transfer (internal movement) of fixed assets (form No. Fixed assets – 1)	Fixed assets
Bank statement	Non-cash funds
Profitable cash order (form No. Cash order-1)	Cash
Invoice	Reserves
Act of completed works, act of rendered services	Works, services

Source: (Headmaster, 2022)

Charitable aid accounting is affected by: targeted or non-targeted nature of the aid; form of receipt – cash, stocks, fixed assets, works, services. We will consider the specifics of accounting for targeted and non-targeted charitable assistance in point 2.3 of this section.

Financial accounting should provide users with information about income from various types of activities of the business entity, in which directions the profit will be distributed and the procedure for forming the financial result for the reporting period. In order to reliably determine the financial result, it is necessary to correctly observe the conditions of revenue recognition. In our legislation, this issue is regulated by NR(S)A 15 “Income”.

Financial accounting provides data, thanks to which it is possible to analyze the structure of income from various types of activity of the business entity (in particular, the main one) and identify which factors influenced their change, analysis of profitability and factors that affect it, analysis of profitability in order to find reserves for increasing profits (Vyazovchenko, 2019).

Table 3.5

The procedure for recognition and assessment of the company's income

The main factors	Characteristic
Recognition criteria	an increase in equity due to a decrease in liabilities or an increase in assets (unless such capital comes from the founders); it is possible to reliably determine the estimate.
Specifics of accounting	display when appears regardless of the time of arrival or receipt of money
The rules by which they are recognized are applied	separately for each type of performed operations; separately to certain items of operations (one or more) based on the essence of their implementation.

Source:(formed by the author based on Ishchenko, Podolianchuk, Koval 2021)

A business entity receives various types of income depending on the activity it performs. During the implementation of the main activity, he receives income from the sale of products and income from the provision of certain services, which are recognized in the presence of a number of conditions. These conditions can be presented in the form of Fig. 3.4.

Income from services provided is determined based on the stage of completion of such operation as of the balance sheet date, if its final outcome can be reliably estimated. The conditions for recognizing such income are presented in Fig. 3.5.

Assessment of the degree of completion of such operations is carried out based on these provisions: – informing about the number of completed works; – delineation of the specific weight of the volume of such services that were provided on a certain date in comparison with the entire volume of services that were to be provided; – determine the specific weight of costs incurred by the enterprise during the implementation of such activities, in the amount of costs that were expected.

The total of expenses incurred on a certain date will include only expenses corresponding to the volume of services provided on such date (Ishchenko, Podolianchuk, Koval 2021).

When performing services with an unknown number of operations for the time period that was determined, the income is determined based on the uniform accrual for the given period.

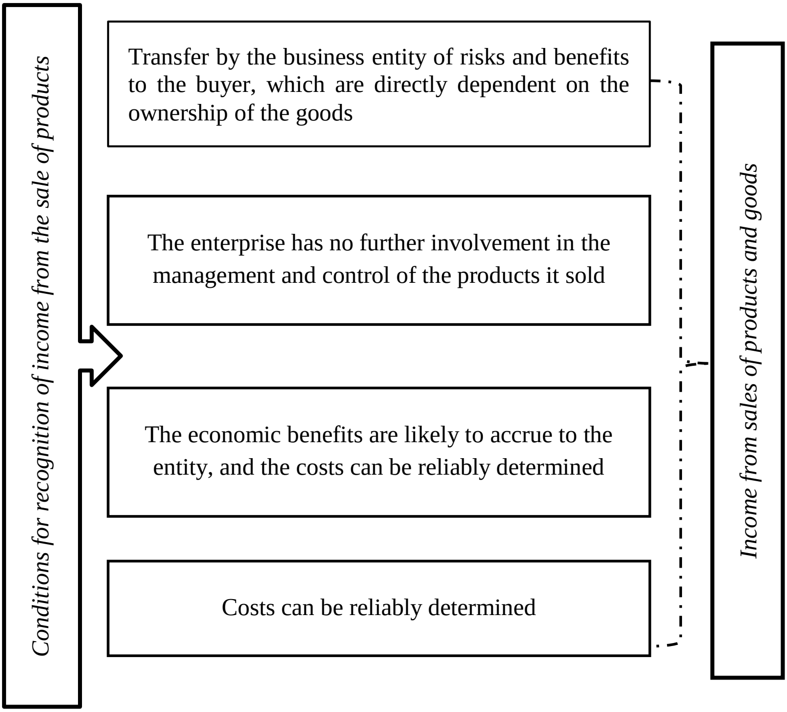

Fig. 3.4. Conditions for recognizing income from the sale of the company's products

Source: (formed by the author based on Ishchenko, Podolyanchuk, Koval 2021, Vyazovchenko, 2019)

However, when it is impossible to reliably determine the revenue from the provision of services, it is reflected in the amount of expenses that have been determined and that must be reimbursed.

In the event that the revenue cannot be reliably estimated and there is no possibility to reimburse the expenses that were incurred, the income is not recognized at all, and the incurred expenses should be recognized as expenses of the reporting period. In the future, if the amount of income can be estimated, the income will be recognized according to this estimate.

Income in accounting is reflected in the amount of the fair value of assets that have been received or such that should be received. The amount of income resulting from such actions is determined by means of an agreement between the buyer and the business entity. It is assessed at the fair value of the compensation that has been received or that which can be received taking into account the amount of discounts (trade) that the enterprise can provide.

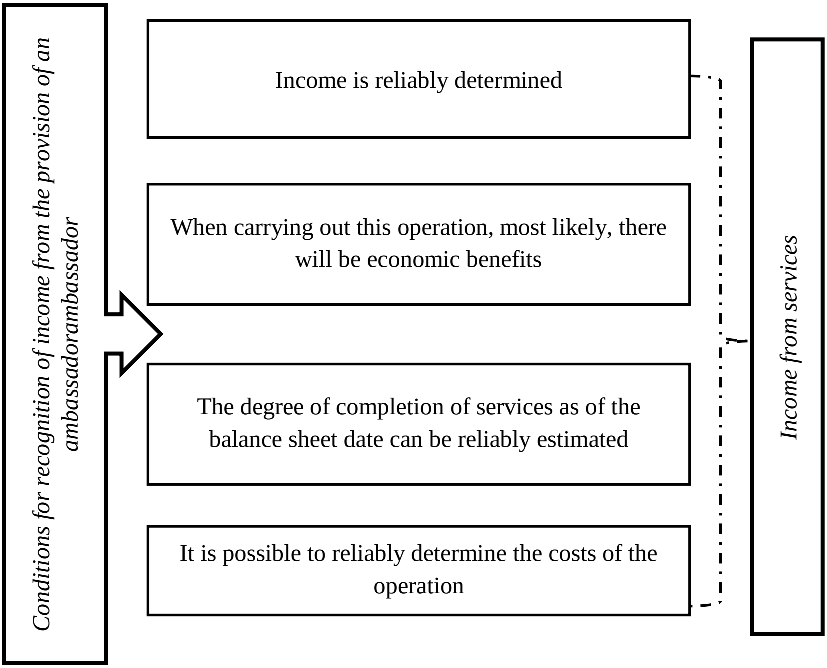

Fig. 3.5. Conditions for recognizing income from the provision of enterprise services

Source: (formed by the author based on Ishchenko, Podolianchuk, Koval 2021)

When assessing income, it is important to distinguish between the concepts of gross and net income, since gross income is considered to be the economic benefit received by the enterprise. And net income is gross income minus some economic elements that have been determined by law. Net income does not include amounts received from third parties, taxes, discounts, etc

One of the principles on which accounting and financial reporting are based is the accrual principle, when income and expenses are reflected in accounting and financial reporting at the time of their occurrence, regardless of the date of receipt or payment of funds (Law of Ukraine On accounting and financial reporting in Ukraine, 1999).

Taking into account the principles of accrual and correspondence of income and expenses in their inextricable relationship is quite important when recording and reporting income.

The first principle means that the results of business operations should be recognized at the time they occurred (and not at the time of payment of funds), therefore they are included in accounting and reporting to those periods in which the event occurred.

This principle should operate together with the matching principle, according to which expenses are recognized based on their direct relationship with revenues in the "Report on financial results" (Law of Ukraine On accounting and financial reporting in Ukraine, 1999).

The use of these principles at the time when revenues are recognized as components of financial statements will have the form presented in Fig. 3.6. Incomes are reflected in the accounting records and given in the financial statements of those periods to which they belong.

According to clause 5 of NR(S)A 15, in accounting, income is recognized when an asset increases or a liability decreases, which leads to an increase in equity (with the exception of an increase in capital due to the contributions of enterprise participants), provided that the assessment of income can be reliably determined. The income recognition criteria given in NR(S)A 15 are applied separately to each transaction.

However, these criteria must be applied to individual elements of one operation or to two or more operations together, if it follows from the essence of such economic operation (NR(S)A 15 Income, 1999).

Income assessment is carried out as follows:

a) the total fair value of received (or to be received) assets shows received (or to be received) income;

b) for the incident of delayed payment, in connection with which we received the difference between the fair value and the nominal sum of funds that should have been paid for the products, we have the difference, which will be considered as income in the form of interest;

c) in the case of barter contracts: income is determined based on the fair value of the assets received or to be received, adjusted accordingly for the amount of cash transferred or received and their equivalents (at the expense of increase or decrease) (NR(S)A 15 Income, 1999).

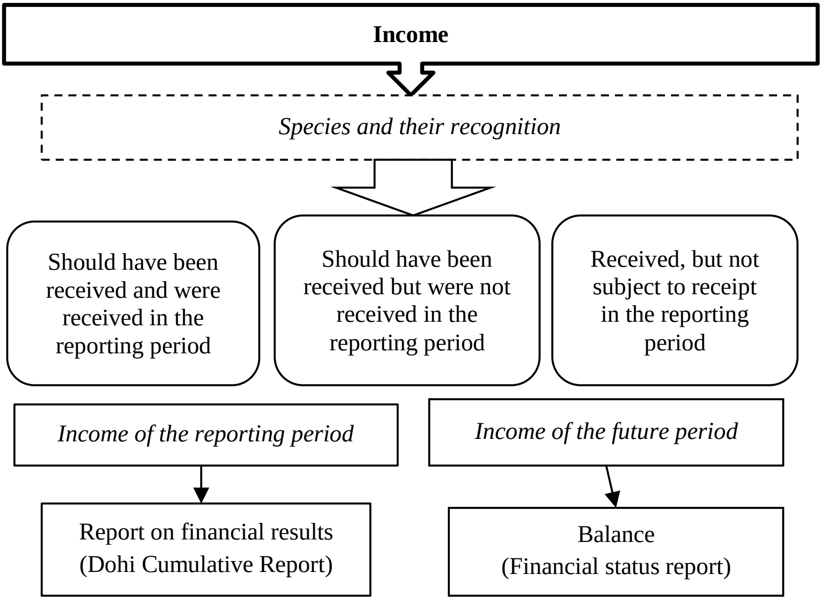

Fig. 3.6. Conditions for recognizing income from the provision of enterprise services

Source: (formed by the author based on Ishchenko, Podolianchuk, Koval, 2021)

The main recognition criteria are: increase in equity due to a decrease in liabilities or an increase in assets; the assessment can be reliably determined (Ishchenko, Podolyanchuk, Koval 2021).

Income is reflected in accounting in the aggregate of the fair value of assets received or to be received. In the case of delayed payment and under a barter contract, the assessment of income is carried out in accordance with the requirements of the law (Podolianchuk, Koval, Gudzenko, 2019).

Let's consider the main examples of operations that result in income:

– increase in the asset – receivables of the buyer when goods, works, services and other current assets are shipped to him: Dt 36 Kt 70, 712, 713. At the same time, income (revenue) from the sale of products (goods, works, services) is not adjusted for the amount of doubtful and hopeless receivables related to him. The amount of such debt is recognized as enterprise expenses in accordance with NR(S)A 10 (see item 15 of NR(S)A 15);

– increase in the asset – other receivables when calculating income in the form of amounts that should come from debtors: Dt 37 Kt 715, 732, 733 etc;

– increase in assets as a result of their free receipt: Dt 20, 22, 28 etc., Ct 718;

– increase in assets as a result of reimbursement of previously written-off assets, the value of which has already been attributed to expenses: Dt 30, 31, 20, 22, 28 etc. Kt 716;

– reduction of liabilities as a result of write-off of payables: Dt 63, 68 etc., Ct 717. This is also explicitly stated in item 15 of NR(S)A 15.

According to clause 6 of NR(S)A 15, the following receipts from other persons are not recognized as income:

– the amount of VAT, excise duties, other taxes and mandatory payments subject to transfer to the budget and extra-budgetary funds. In practice, this is most often VAT and «retail» excise tax at a rate of 5%, as well as a tourist tax and a tax to the PF on the cost of cellular mobile communication services at a rate of 7,5%;

– the amount of income under the commission contract, agency and other similar contracts in favor of the principal, principal etc;

– amount of advance payment for products (goods, works, services);

– the amount of the advance for the payment of products (goods, works, services);

– the amount of a security deposit or in repayment of a loan, if it is stipulated by the relevant contract;

– income belonging to other persons;

– proceeds from the initial placement of securities;

– the amount of the book value of the currency (NR(S)A 15 Income, 1999).

According to clause 7 of NR(S)A 15, the recognized incomes are classified in accounting according to the groups shown in Table 3.6.

The issue of recognition and assessment of income is very important because the correctness of accounting of a business entity and determination of its financial result depends on compliance with its requirements. Having analyzed the above mentioned, it can be said that the recognition of income from the main activity is carried out taking into account certain criteria, the specifics of the reflection in accounting and the factor of how the rules of recognition are applied in relation to each operation.

Table 3.6

Classification of income and their display in accounting and in section I of the Report on financial results (Report on total income)

Articles of the Report on the financial results (Report on the cumulative income) f. 2, tips of income	Line code f.2	Account turnover or method of calculation of line 2 of the form	Information in accounting
Income (revenue) from the sale of products (goods, works, services)	X*	Sales revenue includes value added tax, excise duty, pension, tourist tax and excluding discounts and refunds	Whole turnover per credit 70
Net income from the sale of products (goods, works, services)	2000	Account 70 without value-added tax, excise duty, tourist and pension fees minus turnover under sub-account 704 (discounts, refunds)	Debit 70 credit 791
Other operating income	2120	71	Debit 70 credit 791
Other financial income	2220	73	Debit 73 credit 792
Other incomes	2240	74	Debit 74 credit 793

** this indicator is not reflected in the financial statements*

Source: (International Financial Reporting Standard 15 «Revenue from Contracts with Customers», 2017)

3.3. The method of synthetic and analytical accounting of the income of the enterprise

Reforming the accounting system in accordance with international financial reporting standards gives economic entities more independence in the organization of accounting and the choice of methods and methods of accounting. Such independence is manifested in the formation of the company's accounting policy, which is carried out on the basis of the provisions of current legislation. The degree of freedom of the enterprise in the formation of the accounting policy is limited by the state regulation of accounting, however, among the existing list of methods and accounting procedures, alternative options are permissible. Today, there is a considerable number of variations in the approaches and methods of accounting for certain objects (Law of Ukraine On accounting and financial reporting in Ukraine, 1999).

At the state legislative level, the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" establishes that accounting policy is a set of principles, methods and procedures used by an enterprise to prepare and submit financial statements.

Regarding item 3 of section I NR(S)A 1 "General requirements for financial reporting", the accounting policy is a set of principles, methods and procedures used by the enterprise for accounting, preparation and submission of financial statements. Its main goal is to create an accounting system for a specific enterprise based on uniform principles and rules for providing information in financial reporting that meets the quality characteristics listed in Chapter III of the NR(S)A 1 (NR(S)A 1 General requirements for financial reporting, 2013)

International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" interprets accounting policies as specific principles, bases, agreements, rules and practices applied by an economic entity in the preparation and presentation of financial statements (IAS 8 Accounting Policies, 2017).

Income is reflected in accounting in the amount of fair value of assets received or to be received.

In accordance with Methodological recommendations No. 635, the administrative document on the accounting policy specifies the principles, methods and procedures used by the enterprise for accounting, preparation and submission of financial statements. Traditionally, such an executive document is an order approving the provision on the accounting policy of the enterprise. It is impractical to envisage in its single-variant methods of assessment, accounting and procedures (Official website of UTEKA, 2020).

Table 3.7 will consider possible options for choosing elements of the accounting policy regarding the accounting of income, expenses, and financial results of enterprises.

As evidenced by the data in Table 3.7, the following elements are provided for in the methodological recommendations regarding the enterprise's accounting policy:

Table 3.7

Variants of elements of the accounting policy regarding the accounting of income, expenses and financial results of enterprises

Element of accounting policy	Selection options	Enterprise strategy
1	2	3
1. Methods of assessing the degree of completion of a service operation	- study of completed works; - determination of the specific weight of the volume of services provided on a certain date in the total volume of services to be provided; - determination of the specific weight of costs incurred by the enterprise in connection with the provision of services in the total expected cost of such costs.	When choosing a strategy of “profit maximization”, the administrative document on the accounting policy should provide elements of the accounting policy that ensure the “reduction” of the company’s expenses and the “maximization” of the company’s income.
2. Methods of calculating the production cost of products (works, services)	The company chooses independently	In particular, the calculation of costs using the method that ensures their “smallest” size, a universal method in this case cannot be determined, since it is not known whether the company will reflect the incurred costs in the inventory products or the accumulated amount of costs will be “accumulated” in the form of the cost of finished products in the warehouse. The use of other elements of the cost accounting policy also depends on the strategy chosen by the company and other factors. An "increase" in income for a specific date can be achieved by “inflating” the amount of work performed.
3. List and composition of articles for calculating the production cost of products (works, services)	The company chooses independently	
4. List and composition of variable and permanent general production costs	The company chooses independently	
5. The basis for the distribution of general production variables and distributed permanent general production costs by actual capacity	- hours of work; - salary; - volume of activity; - direct costs etc	

1	2	3
6. Methods of determining the degree of completion of works under a construction contract	- measurement and assessment of work performed; – the ratio of the volume of the completed part of the works and their total volume according to the construction contract in real terms; – the ratio of actual costs from the beginning of the execution of the construction contract to the balance sheet date and the expected (estimated) amount of total costs under the contract	Value-oriented management aimed at "increasing" enterprise costs and "decrease" revenues. In each specific case, these methods are determined independently in the administrative document on the accounting policy of the enterprise.
7. The basis for the distribution of general production costs at normal capacity	- direct costs; - volumes of income; – direct labor costs; - time worked by construction machines and mechanisms etc	
8. Cost accounting scheme	With the use of accounts for accounting expenses: 8th grade; 9th grade; 8th and 9th grades at the same time	

Source: (Brik, Tsitska, Poverlyak, 2018)

1) in relation to income: the procedure for assessing the degree of completion of operations for the provision of services; the procedure for determining the degree of completion of works under the construction contract;

2) regarding costs: the procedure for accounting and distribution of transport and procurement costs, maintaining a separate sub-account for accounting for transport and procurement costs; application of class 8 and/or 9 of the Chart of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations; the list and composition of variable and permanent general production costs, the bases of their distribution; the list and composition of articles for calculating the production cost of products (works, services); basis of distribution of costs for operations with equity instruments;

3) in relation to financial results: approaches to the periodicity of the inclusion of revaluation amounts of non-current assets to retained

earnings; the procedure for payments made at the expense of profit (for state and communal enterprises); the date of attraction of ordinary shares, the issue of which is registered, for the calculation of the average annual number of ordinary shares in circulation

3) in relation to financial results: approaches to the periodicity of the inclusion of revaluation amounts of non-current assets to retained earnings; the procedure for payments made at the expense of profit (for state and communal enterprises); the date of attraction of ordinary shares, the issue of which is registered, for the calculation of the average annual number of ordinary shares in circulation (Brik, Tsitska, Poverlyak, 2018).

The accounting policy can work to the benefit of the company during tax audits: provided it is properly processed. Let's talk about the key aspects of accounting policy under martial law.

According to the current legislation, business entities independently determine the main provisions of the accounting policy, but at the same time they must take into account the basic principles of accounting. The accounting policy should illustrate only those dominants of the accounting process that have several higher alternative application options permitted by regulatory acts. Unambiguous rules of laws, regulations, instructions used in accounting practice should not be duplicated in the order on accounting policy

In order to provide complete, reliable and timely information for the needs of management and optimization of the process of preparation of the accounting policy document, it is proposed to form it according to organizational, technical, methodical and final stages.

The organizational model of the display in the accounting policy of the income of enterprises is presented in Fig. 3.7.

The conducted research makes it possible to form the conclusion that the accounting policy in terms of income is of great importance for the effective organization of accounting, because the expediency, reasonableness and detailing of the income accounting process for making management decisions, determining the results of the enterprise's activities, performing certain tasks by structural units, determining the actual the effectiveness of organizational measures regarding the development and improvement of the enterprise's economic activity.

Stages of accounting policy formation

Organizational and technical includes:
- determination of accounting forms; organizational structure of the accounting service of the enterprise;
- identification of persons engaged in income accounting and their duties;
- determination of the list of primary documents and approval of the document flow schedule;
- determination of the order of generalization of data in accounting registers and management reporting forms.

Methodical includes:
- income assessment method and conditions for their recognition;
- composition of the company's income.

The final includes:
- formation of a working plan of accounts in the part of the company's income;
- preparation, discussion and signing of the document on the company's accounting policy.

Fig. 3.7. Organizational model of reflection in the accounting policy of the income of enterprises

Source: (formed by the author based on UTEKA, 2020)

The head of the enterprise should remember that there are several categories of accounting solutions: alternative (when the enterprise chooses an accounting approach), non-alternative and independent (when the enterprise develops something independently)

Accounting legislation quite often provides several options for methods of assessment, accounting and procedures. For example, there are several methods of calculating depreciation of fixed assets.

In the accounting policy, we fix the accounting option chosen by the company from the alternative options provided by the law.

In the accounting policy, it is absolutely necessary to fix those valuation principles and accounting methods that provide for several options for the enterprise to choose from or for which there is uncertainty.

One of the common mistakes of taxpayers, which is used by tax officials, is that the actual accounting at the enterprise does not correspond to the provisions laid down in the accounting policy (Accounting, 2022).

After all, it is necessary for the tax authorities to justify all the chosen accounting approaches and applied estimates. For example, in the order on the accounting policy of the enterprise, the straight-line method of depreciation was fixed for all fixed assets.

Another typical mistake is to set the liquidation value absolutely for all fixed assets at the same level (let’s say zero).

The liquidation value is important for the calculation of depreciation, that is, it affects the amount of depreciation expenses. And in practice, there are cases when tax officials found it unreasonable to establish a zero-liquidation value, for example, in relation to vehicles. And they believed that in this case the company overestimated the amount of depreciation.

The liquidation value for each specific object of fixed assets is established separately by the commission when the object is put into operation.

The fact that the liquidation value is determined by the commission should be formalized by an act of arbitrary form, which can be an appendix to the act of acceptance-transfer (internal movement) of fixed assets. So here you need to approach individually (Podolyanchuk, Koval, Gudzenko, 2019; Accounting, 2022).

Therefore, in the enterprise’s accounting policy, it is necessary to establish approaches to establishing the liquidation value of fixed assets: how it is calculated, when it can be revised, etc.

The proposed recommendations on the formation of the components of the accounting policy in terms of the above elements contribute to the creation of a proper mechanism for managing the accounting processes of expenses, income and financial results of the business unit.

In order to provide the management with complete and comprehensive information about the financial result of the main activity, it is necessary to organize the process of collecting such information. This will be facilitated by a properly adjusted accounting system, the main tasks of which will be the following: – organization of accounting and control over the production of the enterprise in terms of the entire assortment, as well as in terms of volume and quality; – organization of accounting for production costs and control over the implementation of the cost estimate; – cost calculation and control over the execution of the cost plan; –detection of hidden reserves, prevention of losses due to shortages or other non-productive expenses; – organization of accounting of the company's income in terms of types of products sold and names of buyers etc.

Class 7 accounts are required to be used when displaying the company's income. Their general characteristics are shown in Fig. 3.8.

Accounts of class 7 "Revenues and results of activity"

1.Accounts of this class are temporary and are used to accumulate income data for the reporting period.
2. At the end of the reporting period, the balance of these accounts is transferred to the credit of account 79 "Financial results".
3. Class 7 accounts have a zero balance at the beginning of the reporting period.
4. During the reporting period, the amount of total income is displayed for the loan together with the amount of indirect taxes, fees (mandatory payments).
5. During the reporting period, the debit shows the monthly display of the due amount of indirect taxes, fees (mandatory payments) and the assignment of the amount of net income to account 79 "Financial results"

Fig. 3.8. General characteristics of class 7 accounts "Revenues and results of activity"

Source: (formed by the author based on Ishchenko, Podolianchuk, Koval, 2021)

The main source of income of the enterprise is its main operational activity, aimed at the production of products and their sale. According to NR(S)A 1, the main activity of the enterprise, as well as other types of activities related to the implementation of any operations (except investment and financial) are recognized as operational. Therefore, the operational activity of the business entity is divided into the main and other operational activities, Fig. 3.9.

The main activity is operations related to the production or sale of products (goods, works, services), which is the main purpose of creating an enterprise and a way to ensure the main share of its income (Podolyanchuk, 2009).

Income (revenue) from the sale of products (goods, other assets) is recognized in the presence of all the conditions specified in clause 8 of NR(S)A 15: the risks and benefits associated with the ownership of products (goods, other assets) are transferred to the buyer); the enterprise does not continue to manage and control the products sold (goods, other assets); the amount of income (revenue) can be reliably determined; there is certainty that the operation will result in an increase in the company's economic benefits, and the costs associated with this operation can be reliably determined (NR(S)A 15 Income, 1999).

Operational activity – the main activity of the enterprise, as well as other types of activity related to the implementation of any operations (except investment and financial)

The main activity is operations related to the production or sale of products (goods, works, services), which is the main purpose of creating an enterprise and a way to ensure the main share of its income

Other operational activities

Fig. 3.9. Composition of operational activities

As for the first condition, it should be remembered that according to Article 663 of the Civil Code of Ukraine, the seller is obliged to hand over the goods to the buyer within the period established by the sales contract. If this period is not clearly specified in the contract, it is determined in accordance with the provisions of Article 530 of the Civil Code of Ukraine (Law of Ukraine Civil Code of Ukraine, 2003)

The moment of fulfillment of the seller's obligation to hand over the goods is defined in Article 664 of the Civil Code of Ukraine. The seller's obligation to deliver the goods to the buyer is considered fulfilled at the moment:

– delivery of goods to him, if the contract establishes the obligation of the seller to deliver the goods;

– placing the goods at the disposal of the buyer, if the goods must be handed over to the buyer at the location of the goods.

At the same time, the goods are considered to be placed at the disposal of the buyer if, within the period established by the contract, it is ready to be handed over to the buyer at the appropriate place and the latter is informed about it. And here comes a very important point.

The right of ownership has three components: the right of possession (to have), the right of use (to use useful properties) and the right of disposal (to decide the legal fate). Determining some special conditions for the transfer of the goods to the buyer, the granting of rights of use, disposal of them, etc., the parties themselves hereby determine the date (moment) of the collection from the seller and the transfer to the buyer of certain risks regarding the goods (Ishchenko, Podolianchuk, Koval, 2021).

For example, the seller must deliver the goods to the buyer loaded on the vehicle at a certain location. After that, the buyer becomes responsible for the goods. Accordingly, when the buyer obtains control over the goods, it is possible to talk about obtaining one, two or all components of the right of ownership.

At the same time, the contract may stipulate that ownership is transferred after full payment of the goods. And then, despite the fact that the goods have been shipped to the buyer and are in his possession, he still does not have the right to use its useful properties (for example, use it in the production of products) or sell it to someone else (dispose of it). And this directly affects whether the product can be considered an asset (and, as a result, an expense) of the buyer. And it directly affects the date of sale of such goods, which is recognized by the seller.

That is, it is necessary to distinguish between the transfer of risks for the preservation of goods and the transfer of ownership rights. The first is a component of the second. They may or may not coincide in time. The goods are considered delivered when the risks and rewards of ownership have passed to the buyer (this is not the same as transfer of ownership) and when control of the asset has been transferred to the buyer (Podolianchuk, Koval, Gudzenko, 2019).

Let's consider, as an example, the peculiarities of the display in the accounting of the shipment of goods to the buyer under the conditions of further payment in cash within 30 days from the date of shipment.

Income (revenue) from the sale of goods is reduced by the amount of discounts provided. But only those that were provided already after such implementation, in particular, upon payment.

Discounts given/received during the sale of goods are not reflected in accounting. After all, such discounts involve a reduction in the price of goods before or during their sale. That is, the goods are already sold at a reduced price. In this case, the seller will reflect the actual proceeds from the sale of the goods (the price of the goods minus the discount) by crediting subaccount 701 “Income from the sale of finished products” or subaccount 702 “Income from the sale of goods”.

Table 3.8

Peculiarities of accounting for income from the sale of goods

Content of the operation	Debit	Credit
Goods were shipped to the buyer and sales revenue was recognized	361	702
Tax liabilities from VAT have been accrued, with the simultaneous exclusion of this amount from income	702	643*
The tax invoice is registered in the unified register of tax invoices	643	641
Received payment from the buyer for the product	311	361
The net income from the sale is written off to the financial result. This amount then goes to line 2000 of the Statement of Financial Results	702	791

Source: (Legislation news, 2021)

If discounts are given already after the shipment of the goods, then in this case the goods are sold at a specified (contractual) price, and the discount is granted already after the date of shipment of the goods, as a rule, if the buyer complies with certain conditions or as a result of additional agreements between the buyer and the seller. The amount of the discount should be reduced by the buyer’s debt to the seller and the income from the sale, and the calculated VAT should be adjusted. In the seller’s accounting, such discounts are reflected in the entry D-t 704 “Deductions from income” K-t 36 “Settlements by buyers and customers”.

Adjustment of accrued VAT tax liabilities based on the amount of the discount: D-t 704 “Deductions from income” K-t 641 “Tax settlements” by the “reversal” method.

Note that when selling goods for export, income is determined according to the general rule that we considered above: if all the conditions specified in clause 8 of NR(S)A 15 are present. And such conditions can be fulfilled on a date other than the date of crossing the border according to with customs declaration (Legislation news, 2021).

In order to summarize all information about income from the main activity, the company uses account 70 “Revenue from sales” with sub-accounts that serve to determine the financial results obtained in the accounting after they are reflected in an inextricable connection with the corresponding expense accounts of class 8 or 9.

Account 70 “Revenues from sales” is intended to summarize information about sales of finished products, goods, works, services, income from insurance activities, as well as the amounts of discounts given to buyers and other deductions from income.

The credit of account 70 reflects the increase (receipt) of income from sales, the debit of the amount of indirect taxes (excise duty, VAT) and the write-off of income in the closing order to account 79 “Financial results”. However, such display of information on 7th grade accounts must be documented. Therefore, these records should be made in the case of the availability of primary documents on the accounting of income from sales. Such documents are invoices, calculations (references) of the accounting department.

Table 3.9

Correspondence of income and expense accounts when determining the financial result of the main and operational activities of the enterprise

Activity	Business operations	Income	Expenses 9th grade
Main activity	Income from the sale of goods, works, and services	701, 702, 703	90, 91, 92, 93
Another operating room	Income from the sale of foreign currency	711	942
	Income from the sale of other current assets	712	943
	Income from operational lease of assets	713	-
	Income from operational exchange rate difference	714	945
	Received fines, penalties, penalties	715	948
	Reimbursement of previously written off assets	716	946
	Income from writing off accounts payable	717	944
	Income from freely received current assets	718	940
	other income from operating activities	719	949

Source: (Legislation news, 2021)

In order to recognize income from the sale of products (goods, other assets), it is important to determine the “moment of time” when the risks and benefits associated with ownership of the products are transferred to the buyer.

To display income from the sale of products, enterprises use subaccount 701 “Income from the sale of finished products”, accounting transactions are shown in Table 3.10.

Table 3.10

Display in the accounting of income from the sale of products on the conditions of full advance payment

Content of the operation	Debit	Credit
Received an advance from the buyer for the products	31	371
Value added tax is reflected	643	641
Products have been shipped to the buyer	36	701
Value added tax is reflected	701	64
Sales revenue is credited to the financial result	701	79
Debt settlement	371	36

Source: (Legislation news, 2021)

The enterprise can carry out works with a pre-received advance from the customer, for the purpose of purchasing materials. In this case, the business entity uses subaccount 681 “Calculations for advances received” in accounting to reflect the received amounts. Business transactions for the display of income from the implementation of completed works, subject to the previously received advance payment, will have the form shown in Table 3.11.

Table 3.11

Display in the accounting of income from the implementation of completed works with a previously received advance

Content of the operation	Debit	Credit
Advance received	311	681
Value added tax is reflected	643	641
The act of completed work is signed	361	703
Value added tax is reflected	703 641	641 643
The actual cost of the completed works is written off	903	23
Net income is reflected	703	791
Administrative expenses have been written off	791	92
The cost price of the completed works is displayed	791	703
Funds have been credited to the account	311	361
Closing the «Advances received» account	361	681
Financial result (account balance 791)		

Source: (Legislation news, 2021)

Income data from the sale of finished products of the business entity are summarized in journal No. 6 “Accounting of income and results of activity”. The recognized amount of income from the main activity in this journal is reflected in column 3. All information from the journal at the end of the month is entered into the general ledger, where the debit and credit turnover of each account is subsequently calculated. It is used in order to summarize the data of order journals, and to make a mutual check of entries on separate accounts and compilation of reports. It reflects the initial balance, as well as current turnover and balance at the end of the reporting period for each subaccount.

Data on income from the main activity of the reporting period of the enterprise are provided in the Report on financial results (Report on total income) in form No. 2. The entry of data on income from the main activity in the Report on financial results and the correspondence of the accounting registers to its lines are shown in Table 3.12.

Table 3.12

Completing information on income from the main activity in the Report on financial results

Article	Line code	Source of information	Additionally
Section I. Financial results			
Net income from the sale of products (goods, works, services)	2000	Debit turnover of subaccounts 701, 702 and 703 with credit 791 minus turnover of credit of subaccount 704 with debit 791	net income from sales is reproduced with the deduction of: discounts that were provided; amounts of goods sold in the past that were returned; indirect taxes; various taxes and fees paid from turnover.

Source: (Accounting, 2022)

Therefore, the state of the organization of accounting of income from the main activity of the enterprise depends on correct and complete documentation, as well as timely reflection in the registers of accounting of income and results of activity, timely receipt of information about income, which will be the most likely. The documentation process is one of the most difficult and important areas of revenue accounting.

It depends on the recognition of income and their reflection in reporting. A significant number of enterprises in their activities, along with the journal form of accounting, use an automated one, which allows you to speed up the processing of accounting information, as well as correctly and accurately record the income from the main activity and reflect the financial result of the enterprise.

Account 71 “Other operating income” is used to summarize information on income from other operating activities of the enterprise in the reporting period.

The credit of account 71 “Other operating income” shows the increase (receipt of income), the debit – the amount of indirect taxes (value added tax, excise duty and other payments) and debited in order of closing to account 79 “Result of main activity”.

The primary documents for accumulating data on other operating income are invoices, waybills, payment claims, inventory acts, certificates and accounting calculations.

Other income includes income that arises in the course of economic activity, but is not related to the operational and financial activities of the enterprise (Ishchenko, Podolyanchuk, Koval, 2021).

Correspondence of accounts from income accounting of other operating activities is presented in Table 3.13.

Income arising from investments accounted for by the equity method is reflected in account 72 “Income from equity participation”, expenses for such investments are reflected in account 96 “Loss from equity participation”.

Monthly write-off of income from participation in capital for the result of financial transactions is carried out on the basis of a certificate (calculation) issued by an accounting employee.

According to NR(S)A 12 “Financial Investments”, the equity method is used to account for investments in associated, joint and subsidiary enterprises, which are usually related parties for the investor.

Account 72 “Income from equity participation” is used to record income from equity participation, which has the following sub-accounts: 721 “Income from investments in associated enterprises”; 722 “Income from joint activities”; 723 “Income from investments in subsidiaries”.

Table 3.13

Display in accounting of income from other operating activities

Content of the operation	Debit	Credit
Income from initial recognition and from changes in the value of assets that are accounted for at fair value is reflected	16, 21, 23	701
Income from the sale of current assets is reflected, including non-current assets held for sale	36,68	712
VAT is charged as part of sales revenue	712	641
Realization of foreign currency is displayed	311	711
Received income from operating lease	373	713
VAT has been accrued on the cost of rent	713	641
Received income from operational exchange rate differences	362, 312, 632	714
Penalties, fines, penalties have been received	36, 37	715
Accounts payable were written off after the expiration of the statute of limitations	36, 63, 68	717
Funds received as targeted financing and previously assigned to account 48 are included in the operating income (receiving targeted financing is systematic)	48	718
Other operating income is credited to financial results at the end of the reporting period	71	791

Source: (formed by the author based on Ishchenko, Podolianchuk, Koval, 2021)

Accounting for financial investments by the method of equity participation consists in the fact that they are initially evaluated and recorded in the accounts at cost determined in accordance with NR(S)A 12 “Financial Investments”, and at the balance sheet date are recorded at the cost determined taking into account all changes in equity of the investee, except those resulting from internal transactions between the investor and the investee (NR(S)A 12 Financial Investments, 2000).

Transactions with financial investments accounted for using the equity method are shown in Table 3.14.

Table 3.14

Correspondence of accounts on the display of income from equity participation

Content of the operation	Debit	Credit
Display by the investor of income on the share of profit received by the object of investment	141	721, 722, 723
Attribution of income from equity participation to financial results	721, 722, 723	792

Source: (Ishchenko, Podolianchuk, Koval, 2021)

Accounting account 73 “Other financial income” is intended for accounting of income arising in the course of financial activity of the enterprise, in particular dividends, interest and other income from financial activity, which are not accounted for in account 72 “Income from participation in capital” (Koval, Radchenko, 2013).

Other financial income (dividends and interest received) and other financial expenses (loan interest, expenses related to attracting loan capital, in particular, expenses related to the issue, maintenance and circulation of own securities; accrual of interest under credit agreements (except for bank loans), financial leases, etc.) are recorded in accounts 73 “Other financial income”.

Accounting documents for accounting of other financial income are: “Profitable cash order”, bank statement, “Management and transport invoice”, “Invoice-demand for release (internal movement) of materials”, “Act of acceptance-transfer (internal movement) of fixed assets”, contracts and agreements on the transfer of non-current assets for financial lease etc.

Accounting for other financial income is shown in Table 3.15. The credit of the account shows the recognized amount of income, and the debit shows the write-off of credit turnover to account 79 “Financial results” (Ishchenko, Podolyanchuk, Koval, 2021).

Table 3.15

Accounting for transactions related to the receipt of other financial income

Content of the operation	Debit	Credit
Accrued dividends, interest, royalties, other financial income to be received	373	731
Attribution of other financial income to the composition of the financial result from financial operations	73	792

Source: (Ishchenko, Podolianchuk, Koval, 2021)

At many enterprises, due attention is not paid to the formation of financial income, they are not positioned in the Order on accounting policy.

That is, the accounting system does not always reflect the information necessary for financial management, namely, it contributes to the activation of financial activity: increasing the amount of long-term capital attraction; regulation of investment flows; stimulating the inflow of raised capital; increasing the level of profit reinvestment; expansion of capital investment opportunities and investment opportunities of agrarian enterprises.

Accounting account 74 “Other income” is intended for accounting of income that arises in the course of activity, but is not related to the operational and financial activities of the enterprise.

The credit of account 74 “Other income” shows the increase (receipt) of income, the debit shows the appropriate amount of indirect taxes (value added tax, excise tax and other fees (mandatory payments)) and debited in order of closing to account 79 “Financial the results” (Instructions on the application of the Plan of accounts for the accounting of assets, capital, liabilities and economic operations of enterprises and organizations of Ukraine, 1999).

In accordance with the Law of Ukraine “On Investment Activity”, such activity is understood as a set of practical actions of citizens, legal entities and the state regarding the implementation of investments. This formulation characterizes the general features of investment activity at the macroeconomic level (Law of Ukraine On Investment Activity, 1991).

According to NR(S)A 1, investment activity is defined as the acquisition and realization of those non-current assets, as well as financial investments that are not part of cash equivalents.

For its part, this standard defines cash equivalents as short-term highly liquid financial investments that are freely convertible into certain amounts of cash and are characterized by an insignificant risk of changes in value (Ishchenko, Podolianchuk, Koval, 2021).

The structure of income from investment and other activities is shown in Fig. 3.10.

One of the most problematic areas of accounting for investment activity is obtaining real accounting data on the volume and payback of investments, that is, their consolidation on separate accounts and their reflection in financial statements. Delineation of income from investment activities depending on the type of investment objects should simplify the process of assessing the economic efficiency of the investments made.

Correspondence of accounts from accounting of income and expenses of investment and other activities is shown in Table 3.16.

Therefore, the main direction for improving the accounting of operating income at the enterprise is the improvement of the automated accounting system. Thanks to automation, the time required for processing various documents that do not require large storage spaces is reduced.

The acquisition and sale of those non-current assets, as well as those financial investments that are not part of cash equivalents are considered investment activities.

74 «Other income»
740 – Income from changes in the value of financial instruments
741 – Income from realization of financial investments
742 – Income from asset recovery
743 – withdrawn
744 – Income from non-operational exchange rate difference
745 – Income from assets received free of charge
746 – Other income

Fig. 3.10. Composition of income from investment and other activities

Source: (Ishchenko, Podolianchuk, Koval, 2021)

It is also necessary to consider the peculiarities of the accounting of charitable assistance in the conditions of martial law. After all, these operations will affect the definition and size of the company's income.

Table 3.16

Accounting of income from investment and other activities

Content of the operation	Debit	Credit
Income from changes in the value of financial instruments is reflected	Accounts of financial instruments	740
Realization of financial investments is reflected	36, 377	741
Revenues from asset recovery are reflected	10,12	742
Received income from non-operational exchange rate differences	302,312, 362, 632	744
Income from assets received free of charge	424	745
The cost of sales after liquidation fixed assets of material values	20	746
Amounts of other income are attributed to financial results	74	793

Source: (Ishchenko, Podolianchuk, Koval, 2021)

Accounting of received charitable assistance. Recognize funds received for a specific purpose as targeted funding. Use account 48 “Targeted funding and targeted revenues” and subaccounts: 483 “Charitable assistance” for accounting – if the enterprise is a VAT payer; 484 “Other means of targeted funding and targeted revenues” – if the medical facility is not a VAT payer (Accounting, 2022).

It is not necessary to include the target funds immediately in the income. it is necessary to wait until confirmation of receipt of funds arrives and it will be possible to fulfill the financing conditions (clause 16 NR(S)A 15 “Income”). Increase income during the periods in which expenses were incurred to fulfill the financing conditions (clause 17 NR(S)A 15). If you receive funds from a benefactor for the purchase of current assets – production stocks, small and medium-sized enterprises, works and services that have a specific purpose, increase other operating income (subaccount 718 “Income from freely received current assets”) in the period of expenditure related to such acquisition

For purchased goods, works, services – the VAT payer recognizes a tax credit on the basis of the tax invoice, which the supplier registered in the unified register (clause 188.1 of the Tax Code of Ukraine; PKU). If the assets purchased with VAT are intended for use in VAT-exempt transactions, calculate the compensatory tax liability with VAT (clause 198.5 of the PKU). Since at the time of acquisition it is known about the preferential use of goods, works, services, include the amount of VAT in the original cost of the acquired assets (Accounting, 2022).

A very important role in the general assessment of the work of any enterprise is played by the analysis of its activity revenues, since they have a direct impact on the financial result of the business entity, which can be both positive and negative. The main goal of analyzing the income of a business entity is to assess the final results of its activity, to determine the main reasons for their change, as well as to compare these indicators with those of competitors. Identifying reserves for increasing the company’s profitability (loss coverage) is the main task of the analysis. In addition, it will make it possible to increase profitability and identify measures for promising activities in the future.

This becomes especially relevant in the conditions of fierce competition and constant changes, when the business entity needs to have sufficient cash in order to fulfill its obligations on time, meet market conditions and improve its activities. The relevance also increases in the conditions of the transition to International Financial Reporting Standards and the reform of the national accounting and financial reporting system. The enterprise must be aware of what generates its income, how it changes dynamically, what factors affect its growth or decrease.

After all, receiving income creates a basis for self-financing of the enterprise, fulfilling obligations to the budget and counterparties, generating profit, etc. The amount of received income affects the development of the enterprise in terms of managing its resources and costs, the enterprise's personnel and payment for its work, the enterprise's policy.

The practice of organizing the analytical work of income analysis distinguishes between centralized and decentralized forms. With a centralized form of organization, all work on economic analysis is concentrated in a special structural division (departments, offices) in the production management system. With such an organizational system, the unity of the methodological support of the analysis, a clear division of the work of analysts, the possibility of using powerful computer technology, etc. is achieved (Mulyk, Materynska, Plonsak, 2017).

Meanwhile, for an agricultural enterprise, as practice shows, a decentralized form is more suitable, which assumes that all structural divisions are engaged in economic analysis on issues that fall within their competence, based on the separation of rights and responsibilities between them, provided for by the relevant regulatory documents – internal or branch. Under such an organization, the analytical process is as close as possible to the managerial one, it is its separate stage, and the volume of economic information processing is significantly reduced. With this system, the efficiency of performing analytical work is significantly increased. The disadvantage of the system is the difficulty of providing a single methodical approach to managing the analytical process. This deficiency significantly affects the quality of analytical and accounting-analytical information in general, which is formed not only by analysts, but also by accountants.

Therefore, during the operation of the enterprise in the conditions of war, one of the important aspects of improving the accounting of the enterprise's income is its accounting policy. Effective organization of accounting and rational work of the accounting staff will make accounting more convenient and systematic, reduce time spent on performing individual tasks, and significantly rationalize document flow at enterprises. The author systematized the conditions for recognition of income from the sale of products and from the provision of services by the enterprise, taking into account certain criteria, the specifics of accounting and the factor of how the rules of recognition are applied to each operation (Koval, Radchenko, 2013).

It is using the tools of economic analysis that accounting data are transformed into analytical information. In the practice of management, all methodical techniques are used without exception, but the most information-generating is the coefficient analysis, which, based on the calculation of the ratio of various absolute values, characterizes the various aspects of the formation, distribution and use of the company's income (Mulyk, Materynska, Plonsak, 2017).

When analyzing income, research is conducted in two aspects. In the first aspect, income is assessed as the degree of achievement of the final goal and determination of the efficiency of production and financial activities. Here, the priority is to assess the degree of utilization of favorable opportunities and missed benefits. The second aspect involves determining the priorities of capital investment by types of activities, by scale in strategic and tactical dimensions, which give the maximum increase in income.

In today's conditions, one of the methods aimed at effective management of the enterprise is the improvement of accounting in the context of analytical grouping and accounting and information support for rational tax planning, which allow to improve the processing of information data in accounting, to ensure the minimization of tax payments, to carry out high-quality accounting and compilation reporting with the least expenditure of effort and money at all stages of the accounting process. All the mentioned aspects remain relevant for every business entity (Accounting, 2022).

Therefore, today the majority of enterprises in their management activities need accounting and analytical detailing of the accounting of income from sales, taking into account its industry specifics and an agreed algorithm of accounting and information support to minimize tax payments, which are taxed on income from the sale of goods, for the selection of alternative schemes of tax planning.

The size of the company's income depends on the objects, terms of product sales and prices. Income from the sale of goods is one of the sources of financial resources of the enterprise, its size and terms of receipt affect the financial condition and solvency of the enterprise.

The main goal pursued by the enterprise is to sell the product and for this to receive cash income, which is necessary for issuing wages, paying taxes and financing all costs associated with the further continuation and expansion of the production process. To achieve this goal, it is necessary to carry out tax planning at the enterprise (UTEKA, 2020).

The only legal way, which is based on the use of the opportunities provided by the law in the field of tax legislation, is to change the business schemes of the enterprise, which leads to the optimization of taxes.

Tax optimization can be carried out through tax planning, which involves choosing the organizational and legal form and types of activities of the enterprise, choosing the accounting policy, choosing the most optimal conditions for the enterprise during the conclusion of contracts, planning tax payments and leads to a reduction in tax liabilities.

An increase or decrease in the tax burden of an enterprise depends on the type of its activity and the chosen taxation system. A change or expansion of activities significantly affects the amount of tax payments, while the most effective option is calculated to obtain a positive result.

Therefore, during the operation of the enterprise in the conditions of war, one of the important aspects of improving the accounting of the enterprise's income is its accounting policy. Effective organization of accounting and rational work of the accounting staff will make accounting more convenient and systematic, reduce time spent on performing individual tasks, and significantly rationalize document flow at enterprises. The author systematized the conditions for recognition of income from the sale of products and from the provision of services by the enterprise, taking into account certain criteria, the specifics of accounting and the factor of how the rules of recognition are applied to each operation.

CONCLUSIONS TO CHAPTER 3

After the declaration of martial law on the territory of Ukraine and the beginning of the active phase of hostilities, most of the business was practically paralyzed due to various circumstances.

Starting from moral and psychological shock to the economic decline of business activity and the impossibility of carrying out activities by enterprises located in the territory of hostilities.

Along with the real military front, the cyber front is obvious and vitally necessary to launch a powerful economic front.

One of the important and fundamental theoretical issues of economic activity is the definition of the term “income”. Income is an increase in economic benefit as a result of the receipt of cash, property or the repayment of liabilities, which directly leads to an increase in capital. In the conditions of today’s realities, it is accompanied by an increase in the role of profit as a material basis for the movement of the economic interests of the enterprise and the state.

Profit is the main source of increasing own capital, the driving force and source of renewal of production assets, as well as the source of income formation of budgets of various levels. Hence, profit can be considered the most important factor in the economic and social development of the enterprise.

The conducted research made it possible to determine that income is a complex economic category. The analysis of publications on this issue proves that the interpretation of the economic essence of the concept of income has a deep genesis, its evolution was formed under the influence of the opinions of various economic currents. The modern interpretation of the economic category “income” has been significantly modified.

The analysis of the main provisions of regulatory and legal documents showed that it is worth paying more detailed attention to the issue of income classification.

A comparison of the definition of income according to international and national accounting standards was made. It was established that these concepts are related to the receipt of economic benefits. In dictionaries and encyclopedic editions, the term “benefit” is interpreted as: satisfaction received from the consumption (use) of material goods and services, benefit, profit, profit; obtaining certain advantages, additional income, profit.

One of the important aspects of improving accounting is the enterprise's accounting policy. Effective organization of accounting and rational work of the accounting staff will make accounting more convenient and systematic, reduce time spent on performing individual tasks, and significantly rationalize document flow at enterprises. The author systematized the conditions for recognition of income from the sale of products and from the provision of services by the enterprise, taking into account certain criteria, the specifics of accounting and the factor of how the rules of recognition are applied to each operation.

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