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# ECONOMY

## FEATURES OF ACCOUNTING VALUATION OF RECEIVABLES OF THE ENTERPRISE

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### Abstract

The article focuses on the definition and understanding of the term receivables, considers the classification features and division of receivables. In addition, a comparative analysis of the assessment of receivables at its occurrence and repayment according to domestic and international standards. The procedure for estimating different types of receivables based on Accounting regulations (standard) is considered and the list of criteria for classifying receivables as bad is determined.

**Keywords:** receivables, long-term, current, bad debts, accounting, valuation.

**Formulation of the problem in general.** At the present stage of development of Ukraine's economy, most companies are on the verge of financial crisis due to economic instability, inflation, falling value of the national currency, high tax burden, lack of financial resources. The main cause of the crisis at the enterprise is a sharp increase in receivables and its share in current assets of the enterprise against the background of reducing inventories, reducing production. The production process is a complex, continuous process that requires significant investment. The efficiency of the enterprise directly depends on the availability of free working capital, which should support its current activities. Any receivables reduce the amount of working capital of the enterprise, so reducing its size contributes to the growth of its solvency. In such conditions, for the effective functioning of enterprises, there is a need to organize a reliable reflection of the accounting of receivables, which is the key to obtaining objective information for making informed management decisions. The relevance of the research topic is due to the fact that receivables at the enterprise is one of the most controversial aspects in its accounting and control.

### Analysis of recent research and publications.

Domestic scientists have made a significant contribution to the development of theoretical issues, improvement of methods, organization of accounting for receivables at enterprises: F.F. Butynets, I.O. Vlasova, S.F. Golov, V.P. Zavgorodny, G.G. Kireitsev, V.M. Kostyuchenko, G.V. Nashkerska, M.S. Pushkar, I.A. Sikora, L.K. Souk, L.W. Chizhevskaya, as well as foreign scientists: Glen A. Welsh, Van Horn James K., R. Damari, M.R. Matthews, Kermit D. Larson, M.H.B. Perera, J. Richard, J.W. Sokolov, B. Ciapetta, Daniel G. Short and others.

**Formulation of the goals of the article (task statement).** The main purpose of the article is to determine the accounting characteristics of receivables and to clarify the main aspects of assessing the correct presentation of information in the financial statements.

**Presentation of the main research material.** The existence of receivables in the enterprise is an objective phenomenon, which, however, can not be assessed unambiguously - as a positive or negative result. A significant fact is that a reliable estimate of receivables sig-

nificantly affects the correct presentation of information in accounting records and reporting, which is then used by users of information for management decisions [1, p. 90].

Taking into account the available theoretical approaches and modern realities of economic activity of domestic enterprises, it is expedient to define the accounting essence of the economic category "receivables": it is an asset arising from contractual relations of enterprises with individuals and legal entities. services, works and other business operations, provides the right to receive cash in the future for previously performed supply operations, reflects the debt in favor of the company on a certain date and serves as a tool for its financial activities.

In addition, from the point of view of economic analysis, control and audit, receivables reflect the effectiveness of the marketing policy of the enterprise, characterizes the amount of diversion of funds from business circulation and serves as an indicator of the financial condition of the entity.

The classification of receivables on various grounds is required to ensure the presentation of the accounting information that users of financial statements need to make effective management decisions.

Because for effective management of receivables, it is necessary to know its types, types of operations and the order of their reflection in accounting, receivables as an object of accounting is of considerable interest to domestic and foreign scholars. The results of research and analysis of sources of methodological and regulatory nature on the issues of accounting and control of receivables, allow us to draw conclusions about the existence of certain problems that arise in the classification, in particular:

- lack of proposals and recommendations on the feasibility of using different types of classification features in warehouses;

- the lack of a single integrated approach in the development of different types of classification of receivables;

- the lack of a clear path of formation and search for features that would allow to give a more systematic classification;

- insufficiently studied and studied such a component of receivables as long-term debt.

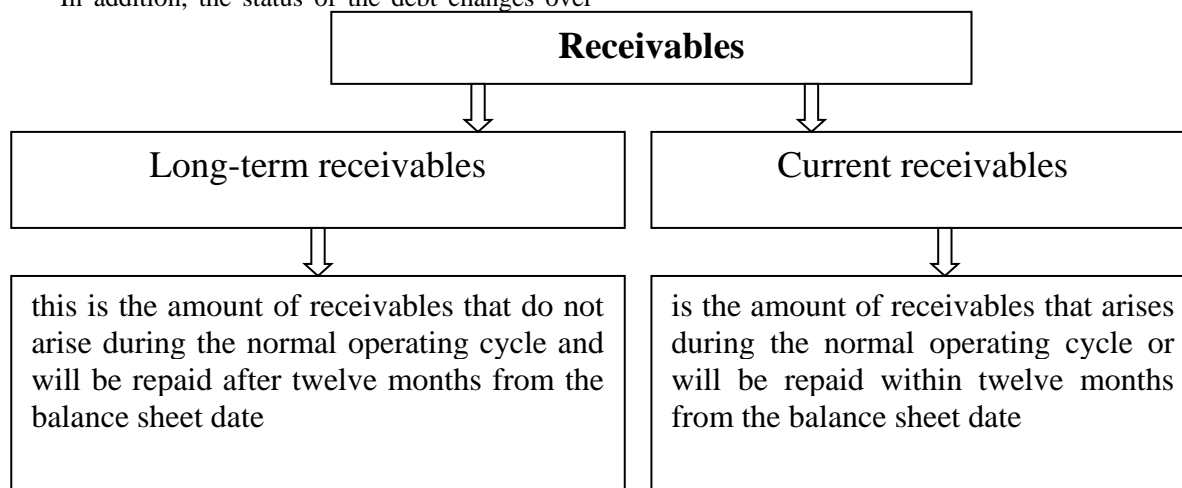
In most countries of the world, there are only general rules for the classification of receivables, which are recommendatory rather than directive. However, the nature of domestic legislation in this regard is unambiguous and testifies to the regulation of types of receivables, in contrast to foreign countries, at the state level.

It should be noted a positive point in the strict regulation of classification in domestic law, because then one of its significant advantages is the possibility of statistical research and observation due to the comparability of indicators, which is lost in the independent choice of characteristics and types in the classification of receivables.

The study of economic scientific thought revealed that the authors mostly classify receivables based on the following criteria:

- 1) maturity and connection with the normal operating cycle;
- 2) objects for which receivables have arisen;
- 3) timeliness of repayment.

In addition, the status of the debt changes over



*Fig. 1. Classification of receivables*

In foreign accounting practice, the classification of receivables used in the countries of the Anglo-American accounting system is significant, where receivables are classified into the following groups: accounts receivable (type of receivables that arise from the sale of goods on the "Open account" the buyer's obligation to pay the bill); promissory notes receivable; non-sales receivables.

We agree with the opinion of M.D. Bilyk on the need to reflect receivables in the balance sheet by level

time. To develop an opinion, we note that the current debt should be translated into long-term, if it is deferred maturity date and therefore it occurs after the expiration of more than twelve months from the balance sheet date. Long-term debt over time is a natural process of transition to short-term, because sooner or later the maturity of such debt (in full or in part) becomes less than twelve months from the balance sheet date. The analysis indicates that there is a problem with the transfer of receivables from long-term to short-term or vice versa, because in accounting, receivables are reflected in the accounts by type and not by maturity.

There is an ambiguity of opinions of scientists in the field of accounting on the division of receivables into long-term and current. In our opinion, the classification is an important lever for a reliable and effective analysis of the financial activities of the enterprise, as economically sound classification is an additional source of information and does not lead to incorrect conclusions when using it by experts (fig. 1).

of liquidity and its division depending on the maturity into long-term and short-term, which is more useful for users of financial statements to assess the financial condition of the enterprise. the level of receivables and the ability to convert financial liabilities into cash.

One of the most important criteria for classifying receivables is the objects for which liabilities arise. Therefore, it is advisable to group receivables by objects of liabilities (fig. 2).

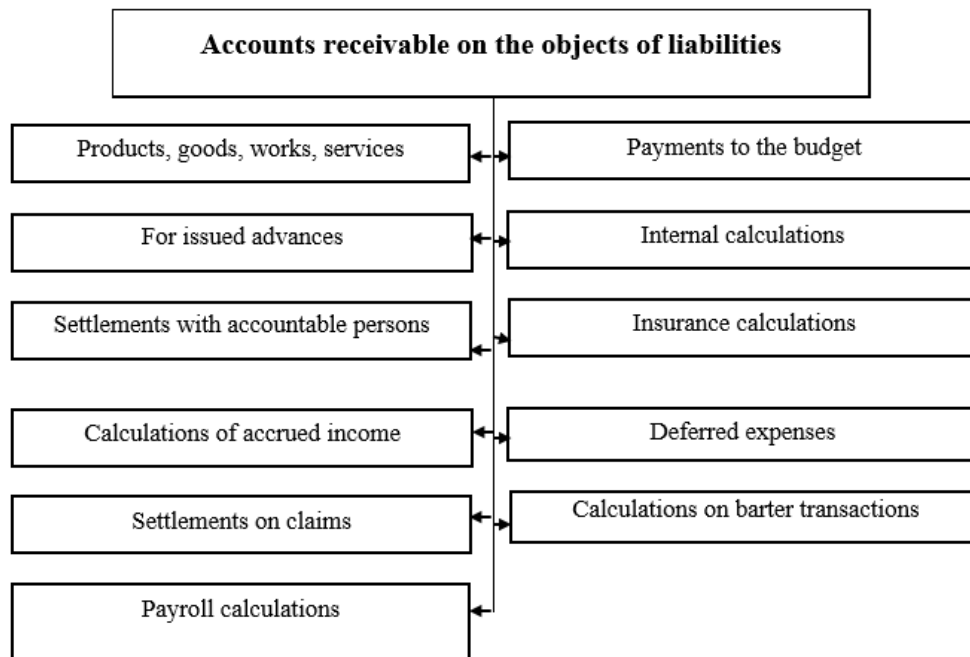


Fig. 2. Classification of receivables by objects of liabilities

A debatable issue for receivables such as deferred costs that are separated from long-term (payments received from counterparties during the normal operating cycle) and current receivables (receivables that will be repaid after twelve months from the balance sheet date). There is a contradiction regarding the classification of this type of assets as long-term or short-term.

In addition, as a result of the study, we can conclude that it is necessary to allocate this type of receivables as settlements for barter transactions, which also cause the occurrence of receivables.

Since Accounting regulations (standard) № 10 “Accounts receivable” provides that receivables are the amount owed by debtors at a certain date, and debtors, in turn, are legal entities and individuals who as a result

of past events owed the company certain amounts of cash, their equivalents or other assets [2]. Thus, it is recognized that the claim (claim) may arise as a result of the transfer of non-current or current tangible assets in exchange for material resources, services rendered or work performed as a result of barter transactions. This feature requires the separation of receivables from the part that falls on non-current and current assets in barter transactions.

Thus, in accordance with Accounting regulations (standard) № 10 “Accounts receivable”, a receivable is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the enterprise and its amount can be measured reliably (fig. 3).

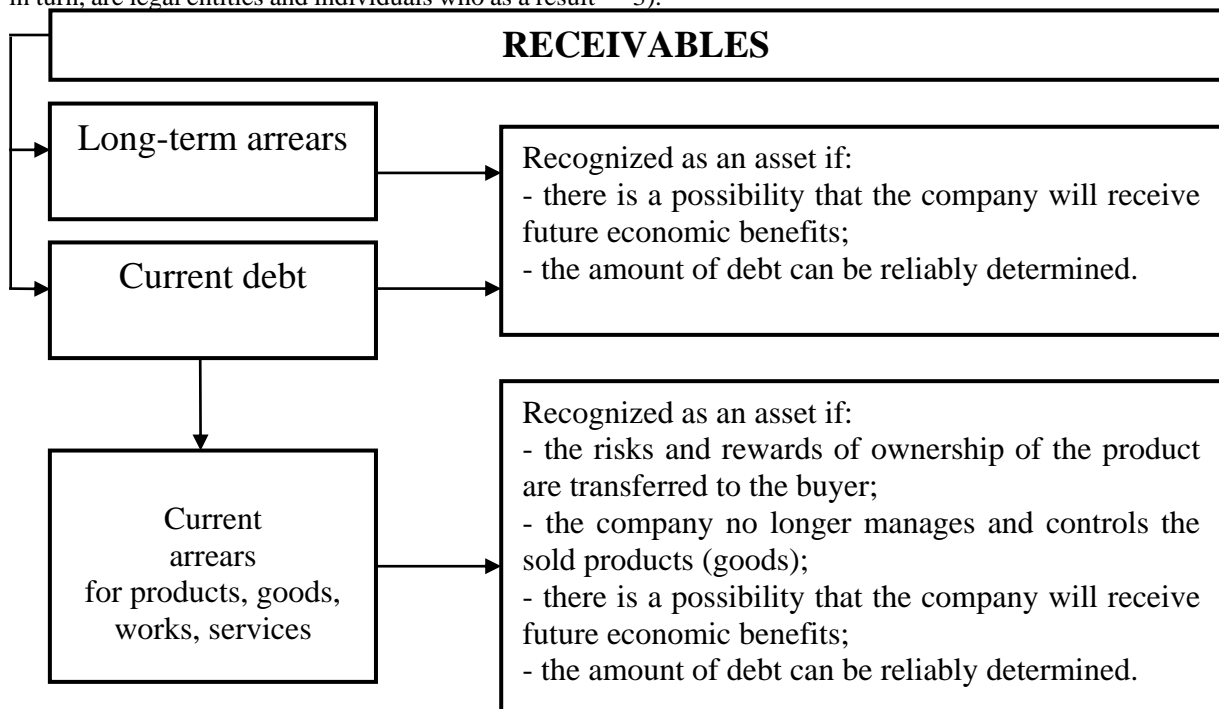


Fig. 3. Criteria for recognizing receivables as an asset

In addition, the status of the debt changes over time. To develop an opinion, it should be noted that the current debt should be transferred to long-term, if it is deferred maturity date and therefore it occurs after the expiration of more than twelve months from the balance sheet date. Long-term debt over time is a natural process of transition to short-term, because sooner or later the maturity of such debt (in full or in part) becomes less than twelve months from the balance sheet date. The analysis indicates that there is a problem with the transfer of receivables from long-term to short-term or vice versa, because in accounting, receivables are reflected in the accounts by type and not by maturity.

It is known that receivables at the enterprise arise as a result of the following events, namely:

- shipment of goods, manufactured products, performance of works, provision of services in case of delay in payment of their value;
- advance payment for goods, works, services in case of non-fulfillment of obligations by the supplier;

In accordance with Accounting regulations (standard) № 10 "Accounts receivable", long-term receivables on which interest is accrued are recognized in the balance sheet at their present value; determining the present value depends on the type of debt and the terms of its repayment [2]. However, the standard does not specify how the present value is determined, as well as the method by which long-term receivables are assessed, for which no interest is accrued.

Valuation of current receivables for shipped products, goods, works, services is carried out at cost, ie the cost of selling the asset. The initial cost of receivables for products, goods, works, services depends on:

- providing the buyer with a trade discount or discounts for timely payment;

- providing discounts to the buyer after the sale;
- return of goods from buyers;
- the period of time from the date of shipment of goods to the date of receipt of funds [2].

At current cost, current receivables for products, goods, works, services are estimated until one of the following events:

- repayment of receivables;
- the difference between the fair value of the receivable and the nominal amount of funds and / or their equivalents, which are subject to compensation for shipped products, goods, works, services.

In this case, the receivable is revalued using the fair value method - the amount at which the asset can be sold or the liability can be paid under normal conditions at a certain date (Accounting regulations (standard) 19 "Association of Enterprises"); the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (International Accounting Standard 18 "Income").

In order to determine the value of receivables, one of the lowest valuations (by the method of initial or fair value) is chosen to comply with the principle of prudence, which is to apply valuation methods in accounting, which should prevent understatement of liabilities and costs and overestimation of assets and enterprise income. Valuation of receivables is performed on the date of recognition (occurrence) and revalued on the balance sheet date. The general procedure for recognition and measurement of receivables of the enterprise according to national and international accounting standards is presented in table 1.

Table 1

Domestic and foreign practice of accounting valuation of receivables of the enterprise

№ 3/п	Stage of the accounting process	Features of approaches for	
		P (S) BO	IAS
1	Grouping	Divided into current and long-term; for shipped products, goods, works, services; receivables not intended for resale (UAS 13).	Divided into initiated and uninitiated. Initiated receivables means their acquisition by an enterprise as a share of a loan granted by another lender, provided that the enterprise finances the loan on the date it is initiated by that other lender. Uninitiated receivables are classified as held to maturity, available for sale or held for transactions (IAS 39 [4]).
2	Recognition	Recognized as an asset simultaneously with the recognition of income from the sale of products, goods, works, services, if there is a probability of future economic benefits, and its amount can be reliably determined [5].	A financial asset is recognized when the entity becomes a party to the contract, provided that the obligation under the instrument arises (International Accounting Standard № 32 "Financial Instruments: Submissions" [3]).
3	Rating	At the time of recognition, it is measured at cost. Included in the balance sheet at net realizable value, ie less the provision for doubtful debts [5].	It is measured at fair value (transaction value), including transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. After initial recognition, receivables are measured at the balance sheet date at amortized cost using the effective interest method and remeasured at the maturity date (International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" [4]).

4	Determining the provision for doubtful debts	The amount of the provision for doubtful debts is determined by one of the methods: - application of the absolute amount of doubtful debts - the amount of the reserve is determined on the basis of the analysis of the solvency of individual debtors; - the application of the coefficient of doubt - the amount of the reserve is calculated by multiplying the amount of the balance of receivables at the beginning of the period by the coefficient of doubt [5].	Визначення вірогідності стягнення заборгованості по кожному дебітору, нарахування резерву лише по тим дебіторам, стягнення заборгованості з яких є сумнівним. Нарахування резерву в процентному відношенні від виручки за період. Розподіл дебіторської заборгованості на групи залежно від періодів відстрочки і нарахування резерву в процентному відношенні, визначеному для кожної групи (International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" [4]).
5	Termination of recognition	If the receivable becomes uncollectible, or if the statute of limitations has expired [5].	If: the entity has lost control of the asset, most of the risks and rewards have been transferred; the term for the right to cash flows from the asset has expired [41].

Source: compiled by the author on the basis [6]

According to Table 1, it can be seen that domestic and foreign practices of recognition and measurement of receivables differ significantly. In particular, domestic accountants focus on detailed coverage of the peculiarities of accounting for debts of buyers and customers, and other types of receivables are paid much less attention. International accounting practice is more uniform, which is more convenient in the process of accounting for other types of receivables and acceptable in the dynamic development of financial markets. The classification and methodology of accounting valuation of receivables differs significantly; in particular, in Ukraine the method of initial cost (historical cost) at the date of recognition (origin) and net realizable value at the balance sheet date is mostly used, while abroad the method of fair value is used.

There are also differences in the procedure for determining the provision for doubtful debts - in Ukraine its value is calculated from the calculation of the absolute value of doubtful debts or using the coefficient of doubt; International practice provides for the calculation of individual debtors, for which there is a probability of non-return of funds from the calculation of interest on sales revenue for the period [6].

The study found that the variety of methods for estimating receivables due to the specifics of receivables as a liquid asset. Interesting is the opinion of Toporkova O.V. that the process of assessing receivables can be summarized in three stages:

I - initial assessment - in the event of receivables,  
II current assessment - on the balance sheet date,  
III - assessment at repayment - in case of default by the debtor according to the contractual terms, and with the involvement of additional measures to recover this type of debt (factoring, discounting) [7, p. 93].

It should be noted that the initial assessment is the most common in accounting, because it is the initial assessment stage. It consists in calculating the value of the debt based on the actual cost of its production or acquisition.

The study suggests that the initial cost of receivables is a permanent quantity and does not change with changes in prices, which, in turn, contributes to differences between its real (market) and book (book) value.

The amount for which receivables are to be recognized and recognized is determined by taking into account the following factors:

- assessment of receivables in current accounting;
- assessment of receivables in the financial statements.

Based on the above, it can be stated that the assessment of receivables is carried out depending on its type.

Analysis of the literature shows that the main problem of valuation of receivables arises at the time of preparation of financial statements, as methods of valuation of receivables should ensure compliance with one of the basic principles of financial reporting - prudence, according to which the amount of assets and income should not be overstated.

When assessing receivables for products, goods, works, services at the balance sheet date should take into account the degree of certainty of its repayment. In addition, when assessing receivables, which is a financial asset, the current legislation provides for certain features. In accordance with the principle of prudence, at the time of recognition of income from sales, the company must recognize possible losses from non-repayment of debts by buyers, ie in the Ukrainian accounting system, as well as abroad, receivables are measured and reported at net realizable value, ie in the amount money that can actually be obtained as a result of its repayment [7, p.95].

Based on the above, for doubtful debts in order to reflect the real picture of the financial condition of the enterprise creates a reserve of doubtful debts. Thus, it is necessary to organize the reflection of current receivables, which is a financial asset, in the balance sheet at net realizable value, ie to deduct from the current receivables the amount of the provision for doubtful debts.

It should be noted that international standards do not require the recognition of receivables in the balance sheet except for the provision for doubtful debts, as after initial recognition receivables are recognized at amortized cost using the method of determining the effective interest rate [7, p.95].

Important issues today are the accounting of doubtful and bad debts, which are insufficiently regulated in Ukraine. In this regard, one of the urgent tasks is to conduct a comparative analysis of bad and doubtful debts, as well as the basic provisions for assessing and reflecting accounting information about such debts in the balance sheet set out in international and domestic accounting standards.

It should be noted that the Tax Code of Ukraine only defines bad debts and does not provide a notion of a provision for doubtful debts, which is actually created to cover bad debts that may occur in the future. We believe that the main regulatory document on which the company's accountant should rely when choosing a method and direct formation of the provision for doubtful debts is Accounting regulations (standard) № 10 "Accounts receivable".

Accounting for receivables is mostly associated only with the principle of prudence, which provides for the inclusion of receivables at net realizable value, with the determination of the amount of the provision for doubtful debts, which is created not only to comply with this principle, but also the principle of business continuity. create additional reserves to ensure the process of uninterrupted and continuous operation [2].

It should be noted that the provision for doubtful debts should be formed only on receivables for products, goods, works, services, because as a result of payment of cash (issued advances and loans) the company does not have income.

Accounting regulations (standard) № 10 "Accounts receivable" and the Tax Code of Ukraine provide an opportunity to assess and determine the list of criteria for classifying receivables as bad, and only in the latter this list is quite exhaustive. The criteria of these regulations are as follows:

1. Tax Code of Ukraine :

- - for obligations whose statute of limitations has expired;
- - overdue debt, which remained unpaid due to insufficiency of the property of an individual, provided that the actions of the creditor aimed at enforcing the recovery of the debtor's property, did not lead to full repayment of the debt;
- - debts that remain outstanding due to the absence of property of a natural or legal person declared bankrupt or a legal entity being liquidated;
- - which remained outstanding due to insufficient funds received from the sale at auction of the debtor's property, which was pledged as collateral for the said debt, provided that other legal actions of the creditor to enforce recovery of other property of the borrower did not fully cover the debt;
- - debt collection which has become impossible due to force majeure, natural disaster (force majeure);
- - overdue receivables of deceased individuals, as well as persons recognized in court as missing, dead

or incapable, as well as overdue debts of individuals who have been deprived of liberty.

• 2. Accounting regulations (standard) № 10 "Accounts receivable":

- - there is confidence that it will not be repaid by the debtor;
- - for which the statute of limitations has expired.

The decision to classify receivables as bad should be made by the financial manager of the enterprise in consultation with the head and chief accountant.

Most often, the criteria of doubt determine the delay in payment and the initiation of proceedings against the debtor for bankruptcy or liquidation of the enterprise. In addition, we believe that the list of criteria for doubt should be supplemented by the following: the actual termination of the contract; financial reorganization of the debtor; significant financial difficulties of the debtor.

In addition, IAS requires an entity to assess whether there is objective evidence that the usefulness of a financial asset or group of financial assets may decrease at each balance sheet date, and Accounting regulations (standard) № 28 "Impairment of assets" regulates the assessment of a possible decrease. Usefulness of the asset only at the date of the annual balance sheet, which significantly reduces not only the efficiency of information, but also leads to distortions of financial statements. When comparing the International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and the Accounting regulations (standard) № 28 "Impairment of assets", it was found that to assess the decrease in the usefulness of receivables, the international standard contains more necessary information the ability to be guided by an accountant to make unambiguous and correct decisions.

In accordance with International Standards, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial instrument's original effective interest rate. However, cash flows related to short-term receivables are generally not discounted. In accordance with international standards, the carrying amount of an asset should be reduced to its estimated recoverable amount (directly or through a provisioning account).

It should be noted that national standards do not single out the concept of impairment of receivables, in contrast to international ones, they operate only with a general definition of "impairment of assets".

International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" also provides for the direct write-off of doubtful receivables. This approach is usually used to reflect the doubtful debts of individual debtors.

In international practice, the following methods are commonly used to determine doubtful receivables for a group of debtors: interest on sales (doubtful receivables are defined as the product of net sales on credit for the reporting period and a certain percentage of those sales that will not be paid in the future); periodization of receivables (requires analysis of the balance of receivables at the end of the reporting period to



account for its non-repayment. As a result, a certain percentage of doubtful debts is applied to each group of receivables, which is based on the experience of previous periods). The above indicates that the accountant needs to assess the availability of objective data on the possibility of impairment of a financial asset or group of assets, as decisions to write off bad debts or to create a provision for doubtful debts must be justified.

The next step after discovering that the debt is doubtful, is the problem of its evaluation and reflection in the balance sheet. In accordance with IAS, such debt should be reflected in the balance sheet, adjusted for bad debts, and in accordance with the requirements of Ukraine - adjusted for the provision for doubtful debts.

In international practice, there are two methods of writing off bad debts: the method of direct write-off and the method of accrual of reserves. Domestic practice does not provide for direct write-off of outstanding receivables to reduce the profit of the reporting year (this type of debt is meant as current debt for products, goods, works, services).

According to domestic legislation, the reflection of receivables related to the sale of products, goods, works, services in the balance sheet is based on the provision for doubtful debts, which is formed on the basis of inventory of receivables and determined by one of the possible methods: application of the absolute amount of doubtful debts or the application of the coefficient of doubt (fig. 4).

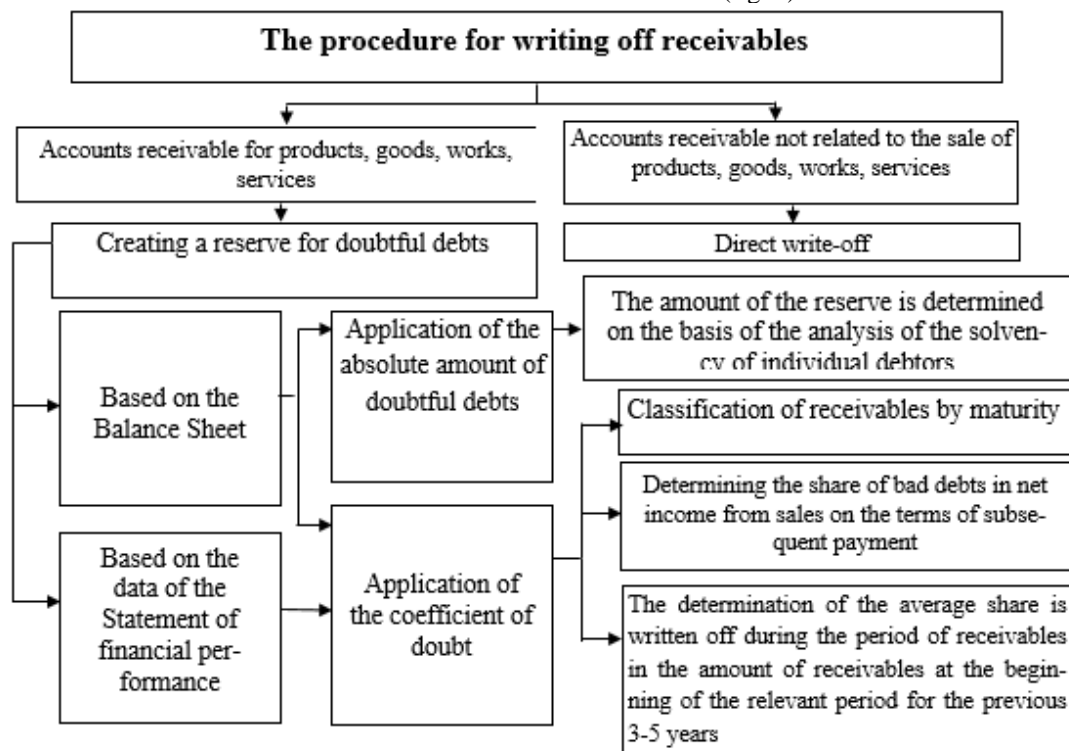


Fig. 4. The procedure for writing off receivables  
Source: compiled by the author on the basis [6, p.90-93]

We believe that the reserve of doubtful debts at enterprises should be formed not only with the participation of the accounting service, but with the involvement of specialists of the enterprise in jurisprudence. In the case of large amounts of the reserve for doubtful debts, the head of the enterprise must also participate directly (in approving the amounts previously substantiated by experts).

The national accounting methodology provides for the determination of the provision for doubtful debts using the absolute amount of doubtful debts or the coefficient of doubt. When applying the absolute amount of doubtful debts, the principle of prudence in accounting is leveled, as the formation of the provision for doubtful debts and accrual of income from sales is carried out in different reporting periods, which causes an overestimation of the amount of receivables at the balance sheet date. It should be noted that the second method (application of the coefficient of doubt) contains three ways to calculate the coefficient of doubt,

which have advantages and disadvantages in the application.

Another, no less important issue to be investigated is the date of accrual of the doubtful debt reserve. Accounting regulations (standard) № 10 "Accounts receivable" sets such a date for the quarter, as it states that in order to determine the net realizable value, the provision for doubtful debts must be accrued on the balance sheet date (each quarter). However, in the conditions of untimely fulfillment of obligations by buyers of production, delay of statute of limitations of debt according to calculations, it is expedient to calculate a reserve of doubtful debts monthly, and at drawing up of the balance to define it quarterly [2].

That is, in the practice of management in an economic crisis, the number of doubtful and bad debts is constantly growing, so we propose to accrue a provision for doubtful debts once a month, which in terms of computerization of accounting will not increase the

burden on accountants and allow to generate information on real receivables at the enterprise for management staff.

Summarizing the above, we note that the presence of receivables in the balance sheet and its classification as the most liquid assets does not guarantee the receipt of cash from the debtor. Therefore, depending on the amount of receivables, the most probable terms of its repayment, as well as the probability of non-repayment of the debt, it is possible to draw conclusions about the state of current assets of the enterprise and its development trends.

**Conclusion.** Due to the unstable situation in the country today, most Ukrainian companies are on the verge of financial crisis. One of the most significant problems today is the crisis of mutual defaults, which is associated with a large amount of debt that exists between Ukrainian companies. There are currently many unresolved issues related to the accounting and control of receivables.

It should be noted that scholars provide different interpretations and criteria for the recognition of receivables, but in our opinion more accurately characterizes the concept of receivables the following interpretation, in which receivables are a requirement (right) to receive financial and property resources from legal entities and individuals enterprise as a result of past events and to be returned in the future. The article provides a comparative analysis of the assessment of receivables when they arise and repay according to domestic and international standards. The procedure for estimating different types of receivables based on UAS is considered and the list of criteria for classifying receivables as bad is determined.

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## СУТНІСТЬ І ОСОБЛИВОСТІ ІНТЕЛЕКТУАЛЬНОГО КАПІТАЛУ ЯК ЕКОНОМІЧНОГО ЯВИЩА І ПОНЯТТЯ

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## NATURE AND CHARACTERISTICS OF INTELLECTUAL CAPITAL AS AN ECONOMIC PHENOMENON

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