

**University of Security Management in Košice**

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**ACCOUNTING FOR THE ACTIVITY OF BUSINESS  
STRUCTURES IN MODERN ECONOMIC  
CONDITIONS AND EUROPEAN INTEGRATION  
PROCESSES**

Collective monograph

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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 trends in the development of society and the economy; application of new methods of information processing and analysis, its understanding and interpretation; possibilities of convergence of national accounting and control models in the conditions of globalization of economic processes and European integration.

The materials of the monograph reflect the results of research carried out as part of the research work “Modern trends, innovations and prospects for the development of accounting and taxation of enterprises, organizations, institutions” (state registration number: 0118U100367).

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## PREFACE

The activity of various business entities has a number of features that affect their functioning as a whole, as well as individual elements of the management system. Conditionally, the factors influencing the activity of business entities can be divided into internal and external. Among external factors, natural and climatic conditions, state policy, activity of financial and credit institutions, industry structure of the region, etc. are important. Internal ones include those that characterize the enterprise's ability to independently influence its production efficiency and competitiveness, namely: organizational structure, field of activity, material and technical base, innovation processes, personnel potential, etc. At the same time, it is possible to evaluate the mentioned factors of influence, to forecast prospects and to determine the risks of activity only if there is adequate information support of the management system. Therefore, one of the management criteria of a modern enterprise is the maximum satisfaction of the management at various levels with useful information.

It is worth noting that the process of European integration in Ukraine is accompanied by a number of changes in various sectors and spheres of life. One of the vectors of European integration is cooperation aimed at improving the tax system and tax authorities of Ukraine. Ukraine's accession to the European Union implies the need to harmonize the accounting system and the formation of financial statements in accordance with the rules of International Accounting Standards.

Accounting, as a source of information, is aimed at performing many tasks in the enterprise management system, but the most important are:

1. In the operational and permanent collection and processing of information about production and economic, commercial, financial, investment and other types of activity;
2. In providing interested users with useful information about the financial status and results of the enterprise.

Thus, it can be argued that one of the most important management tasks in an enterprise, which has a significant impact on the quality of management decisions, is a properly organized record-keeping process and a balanced choice of its form.

The relevance of the study is due to the fact that there are a number of problems that do not allow the accounting system to fully use all the levers of influence on improving the financial and economic situation of business entities, organizations, institutions, which requires research into ways of its improvement, taking into account the specifics of industry activity and changes in taxation.

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 trends in the development of society and the economy; application of new methods of information processing and analysis, its understanding and interpretation; possibilities of convergence of national accounting and control models in the conditions of globalization of economic processes and European integration.

The materials of the monograph reflect the results of research carried out as part of the research work “Modern trends, innovations and prospects for the development of accounting and taxation of enterprises, organizations, institutions” (state registration number: 0118U100367).

The scientific work is designed for use in educational and scientific-practical activities by students of higher education, graduate students; teachers of higher educational institutions, as well as accountants, economists, employees of economic entities, managers and representatives of management bodies.

## SECTION 5<sup>5</sup>

### STATUS, PROBLEMS AND DIRECTIONS OF IMPROVING THE ACCOUNTING OF SMALL BUSINESS ENTITIES IN THE AGRARIAN SPHERE

#### **5.1. The essence of small business and its role in the economy of the state**

In the process of production and implementation of their activities, agricultural enterprises have a number of features that affect their functioning in the conditions of a market economy. Considering the peculiarities of agricultural production, it is necessary to pay attention to the fact that in this field the economic process of reproduction is closely intertwined with the natural one. This is evident in the fact that the consequences of management in agriculture depend both on the employee, his professional training, intellectual property, material and technical equipment of the enterprise, and on natural conditions (Okhota, 2018).

Today, small business entities as entities of entrepreneurial activity occupy a leading place in the country's economy. They are dynamically developing, adapting to innovations in the legislation regarding the use of settlement transaction registrars, changes in the volume of activity per year for the relevant groups of single tax payers and the features of being on the simplified taxation system, the use of different accounting registers, the selection of a package of annual financial statements, the application of international financial reporting standards etc. All innovations create significant obstacles in the adoption of more flexible and operational decisions by the management of the enterprise, compliance with tax discipline, registration of facts of economic activity, preparation of reliable financial reporting (Laychuk, Polishchuk, 2021).

According to the source (Sydorenko, 2021), small and medium-sized enterprises play a major role in most economies, especially in developing countries. Small and medium-sized enterprises represent more than 90% of all economic entities and create more than 50% of all existing jobs. In developing economies, according to official data, small and medium-sized enterprises generate more than 40% of

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<sup>5</sup> Podolianchuk O.A.

national income. If the “shadow sector” is also taken into account, then these figures will be much higher. In today’s business environment, small and medium-sized enterprises create seven out of ten new jobs.

It is worth noting that the aggression of the Russian Federation fundamentally changed the economy of our country. The forecast of an annual decline in GDP may reach 40%. Those industries in which remote work is impossible, particularly agriculture, were the most affected (Ishchenko, 2022).

We agree with the opinion that the activity of agricultural enterprises in the conditions of war and martial law has become much more difficult. A number of problems arose that economic entities did not face under normal operating conditions. Running an agricultural business in temporarily occupied territories is practically impossible, if the enterprise is located in a territory where there are no active hostilities, the main problems are the following:

- complicated material and technical support of the sowing campaign (fuel and lubricant materials, seed material, fertilizers, plant protection products, etc.) and production activities in animal husbandry (forage, animal protection products);

- as a result of disrupted logistics, the sale of manufactured products (especially products with a short shelf life) is significantly complicated;

- general mobilization leads to an outflow of personnel, and the equipment placed on the military register can be withdrawn for military needs;

- some production facilities and infrastructure may be damaged or destroyed as a result of hostilities, or their intended use may be impossible or impractical;

- state expenditures on ensuring military, humanitarian, social needs and liquidation of the consequences of aggression have increased significantly, which entails changes in the business taxation system (Ishchenko, 2022).

According to the Center for Strategic Communications and Information Security, most Ukrainian businesses operate even during the war! In particular:

- 52% of Ukrainian companies are working, albeit with restrictions. Another 27% have suspended, but want to resume their activities. These are the results of a survey by the European Business

Association.

– 63% of companies continue to pay salaries in full, and 45% also make additional or advance payments (How many businesses continue to operate during wartime?, 2022).

Let us describe the actual situation regarding the presence of small business entities in Ukraine in recent years (Table 5.1).

Table 5.1

**The number of subjects of large, medium, small and micro enterprises**

Business entities	Total by years, units							Including agriculture, forestry and fisheries, units						
	2015	2016	2017	2018	2019	2020	Deviation, 2020±2015	2015	2016	2017	2018	2019	2020	Deviation, 2020±2015
Big	423	383	399	446	518	512	+89	29	20	18	23	34	36	+7
Medium	15510	15113	15254	16476	18129	17946	+2436	2535	2505	2391	2307	2285	2137	-398
Small,	1958385	1850034	1789406	1822671	1922978	1955119	-3266	76720	72095	74184	73998	73131	71195	-5525
among them micro	1910830	1800736	1737082	1764737	1864013	1898902	-11928	71649	66905	68819	68492	67627	65753	-5896
<b>Including: natural persons-entrepreneurs</b>														
Medium	307	281	317	419	378	344	+37	2	4	8	9	4	3	-1
Small,	1630571	1558880	1466486	1483297	1560650	1599411	-31160	32538	29618	26470	25815	25207	23913	-8625
among them micro	1626589	1553041	1458980	1471965	1550633	1591031	-35587	32412	29448	26307	25585	24994	23711	-8701
<b>% of agriculture, forestry and fisheries to the total indicator of economic entities</b>														
<b>Big</b>								6,86	5,23	4,52	5,16	6,57	7,04	-0,18
<b>Medium</b>								16,35	16,58	15,21	14,01	12,61	11,91	-4,44
<b>Small,</b>								3,92	3,90	4,15	4,06	3,81	3,65	-0,27
<b>among them micro</b>								3,75	3,72	3,97	3,89	3,61	3,47	-0,28

Source: formed according to (Economic statistics. Activities of enterprises, 2021)

Analyzing the data in Table 5.1, it can be concluded that the number of business entities as a whole is decreasing, although in 2020, compared to 2015, there was an increase in the number of large enterprises – by 89 units and medium enterprises – by 2436 units. The number of small business entities is decreasing. Thus, in 2020, the number of small enterprises in comparison with 2015 decreased by 3,266 units, of which micro-enterprises decreased by 11,928 units. The situation is the same in the field of activity of individual entrepreneurs. As for agricultural enterprises, together with fisheries



and forestry, the number of medium and small enterprises also decreases, incl. and micro-enterprises and individual entrepreneurs. This situation also indicates a decrease in the share of agriculture, forestry, and fishing in the total number of business entities.

However, analyzing the data in Tables 5.2-5.3, there is a trend towards growth in the volume of products produced and sold by small business entities.

Table 5.2

**The volume of products (goods, services) produced by business entities**

Business entities	Total by years, in % of the total indicator of economic entities							Including agriculture, forestry and fishing, in % of the total indicator of economic entities						
	2015	2016	2017	2018	2019	2020	Deviation, 2020±2015	2015	2016	2017	2018	2019	2020	Deviation, 2020±2015
Big	41,7	37,5	38,3	37,9	35,9	33,7	-8,0	16,5	12,2	8,8	10,3	12,7	13,3	-3,2
Medium	36,7	38,5	37,0	36,2	35,9	34,4	-2,3	κ	51,7	51,4	50,8	49,1	κ	κ
Small	21,6	24,0	24,7	25,9	28,2	31,9	+10,3	κ	36,1	39,8	38,9	38,2	κ	x
among them micro	10,8	12,5	13,3	14,1	16,0	18,4	+7,6	10,1	12,7	13,7	13,6	14,1	14,7	+4,6
Including: natural persons-entrepreneurs, in % of the total indicator of natural persons-entrepreneurs														
Medium	2,8	2,7	2,8	3,6	2,7	2,1	-0,7	κ	1,3	1,4	1,6	0,9	κ	x
Small	97,2	97,3	97,2	96,4	97,3	97,9	+0,7	κ	98,7	98,6	98,4	99,1	κ	x
among them micro	92,3	93,2	92,9	91,9	93,2	94,6	+2,3	92,4	93,5	90,7	89,9	91,2	90,5	-1,9

κ – data are not made public in order to ensure compliance with the requirements of the Law of Ukraine “On State Statistics” regarding the confidentiality of statistical information (primary and secondary blocking of vulnerable values)

Source: formed according to (Economic statistics. Activities of enterprises, 2021)

The data in Table 5.2 confirm the conclusion about the increase in the volume of production by small businesses and micro-enterprises. In 2020, compared to 2015, the volume of produced products (goods, services) increased by 10.3% in small enterprises, of which 7.6% in micro-enterprises. The same trends in the agricultural sector. As for the activities of individual entrepreneurs, their share is stable and does not contain significant changes.

Characterizing the volume of products sold by business entities, a conclusion follows on the increase in the volume of its implementation

by small business and micro-business entities. In 2020, compared to 2015, the volume of sold products (goods, services), albeit slightly, increased by 3.9% for small enterprises, including 2.9% for micro-enterprises. The statistics are the same in the agricultural sector. The activities of individual entrepreneurs have stable results and contain little growth. However, since 2016, a quarter of the products of the Ukrainian economy are produced and sold by small enterprises and individual entrepreneurs.

Table 5.3

**The volume of products sold (goods, services) by business entities**

Business entities	Total, in % of the total indicator of economic entities							Including agriculture, forestry and fishing, in % of the total indicator of economic entities						
	2015	2016	2017	2018	2019	2020	Deviation, 2020±2015	2015	2016	2017	2018	2019	2020	Deviation, 2020±2015
Big	37,0	35,6	35,2	35,3	34,5	32,8	-4,2	16,5	12,8	8,3	10,1	12,9	12,5	-4,0
Medium	39,3	39,9	39,9	39,7	39,9	39,6	+0,3	κ	49,8	50,9	50,4	48,2	κ	x
Small,	23,7	24,5	24,9	25,0	25,6	27,6	+3,9	κ	37,4	40,8	39,5	38,9	κ	x
among them micro	12,0	12,1	12,7	13,0	13,6	14,9	+2,9	11,6	13,5	14,2	13,8	14,1	15,1	+3,5
Including: natural persons-entrepreneurs, in % of the total indicator of natural persons-entrepreneurs														
Medium	3,9	3,0	3,1	3,9	2,9	2,5	-1,4	κ	1,3	1,3	1,5	0,8	κ	x
Small,	96,1	97,0	96,9	96,1	97,1	97,5	+1,4	κ	98,7	98,7	98,5	99,2	κ	x
among them micro	90,1	91,9	91,7	91,1	92,5	93,6	+3,5	92,8	93,9	91,0	90,6	91,8	91,3	-1,5

κ – data are not made public in order to ensure compliance with the requirements of the Law of Ukraine “On State Statistics” regarding the confidentiality of statistical information (primary and secondary blocking of vulnerable values)

Source: formed according to (Economic statistician. Activity of enterprises, 2021)

Summarizing the data of the conducted analysis, it is possible to affirm the importance of the activities of small business entities. Small business entities that apply a simplified taxation system increase revenue from the sale of products (goods, works, services) every year, which contributes to an increase in budget revenues. Due to their mass, small enterprises provide twice as much employment of the population in new jobs than large enterprises, which significantly reduces the

tension in society associated with unemployment.

Small businesses suffered enormous losses in connection with the war. Thus, 15% of enterprises lost more than 100 thousand dollars, 28% – from 10 to 50 thousand dollars, 40% – up to 10 thousand dollars. At the same time, one in five losses occurred directly as a result of hostilities. Based on the survey data, we calculated that the amount of damage caused to enterprises is about 2 million dollars. At the same time, only 6% were able to pass the first two months of the war without casualties (Ero, 2022).

Consequently, most small entrepreneurs withstood the blow of the negative consequences of martial law, but at a high price. At a time when they themselves need help, companies continue to work for the good of their country. The vast majority of entrepreneurs – 71% remained in their places. Only about 10% moved their office or production to safe regions of Ukraine and 4% abroad. Ukrainian microbusiness believes in victory and is determined to hold out until this moment. And I really want to believe that victory is “just around the corner”! (Ero, 2022).

For the first time, the definition of “small business” was introduced into the current legislation in 1991 with the adoption of the Law of Ukraine “On Enterprises in Ukraine”. This Law defined the category of small enterprises in accordance with the volume of economic turnover and the number of its employees depending on the field of activity (regardless of the form of ownership): in industry and construction – with the number of employees up to 200 people; in other branches of the production sphere – with the number of employees up to 50 people; in science and scientific service – with the number of employees up to 100 people; in non-production sectors – with the number of employees up to 25 people; in retail trade – with up to 15 employees (About enterprises in Ukraine).

In Ukraine, the characteristics and criteria of belonging to small business entities (SBE) are given in the Economic Code of Ukraine (Economic Code of Ukraine) (Economic Code of Ukraine, 2018).

According to the definition given in Art. 55 of the ECU, small business entities are (Economic Code of Ukraine, 2018):

– natural persons registered in accordance with the procedure established by law as natural persons – entrepreneurs, in which the average number of employees for the reporting period (calendar year)

does not exceed 50 people and the annual income from any activity does not exceed the amount equivalent to 10 million euros, determined by the average annual rate of the National Bank of Ukraine;

– legal entities – economic entities of any organizational and legal form and form of ownership, in which the average number of employees for the reporting period (calendar year) does not exceed 50 people and the annual income from any activity does not exceed an amount equivalent to 10 million euros, determined at the average annual exchange rate of the National Bank of Ukraine.

In addition to the SME category, the same article of the GCU provides definitions and criteria characteristics of micro-entrepreneurs to which they are classified (Economic Code of Ukraine, 2018):

– natural persons registered in accordance with the procedure established by law as entrepreneurs, in which the average number of employees for the reporting period (calendar year) does not exceed 10 people and the annual income from any activity does not exceed the amount equivalent to 2 million euros, determined at the average annual rate of the National Bank of Ukraine;

– legal entities – economic entities of any organizational and legal form and form of ownership, in which the average number of employees for the reporting period (calendar year) does not exceed 10 people and the annual income from any activity does not exceed an amount equivalent to 2 million euros, determined at the average annual exchange rate of the National Bank of Ukraine.

Some scientists note (Kuzmina, 2018) that such a division should be consistent with other important documents, in particular the Tax Code of Ukraine (PKU), which defines the procedure for taxation of business entities. However, in the latter there is no mention of micro-entrepreneurs. At the same time, accounting Regulation (standard) 25 “Financial report of a small business entity” (P(S)BO 25) provides for simplified forms of reporting for micro-business entities, so that allocation to the specified category has an applied nature with specification of practical application. The legal basis for state support of small business entities, regardless of the form of ownership, is defined in the Law of Ukraine “On the Development and State Support of Small and Medium-Sized Businesses in Ukraine”. In this law, the criteria for recognition of SBP are given, namely, small business entities include:

- natural persons registered in accordance with the procedure established by law as subjects of entrepreneurial activity;
- legal entities – subjects of entrepreneurial activity of any organizational and legal form and form of ownership, in which the average number of employees for the reporting period (calendar year) does not exceed 50 people and the volume of annual gross income does not exceed 500,000 euros.

If we consider the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, micro, small, medium and large enterprises include enterprises whose indicators on the date of drawing up the annual financial statements for the year preceding the reporting year meet at least two of the following criteria:

- the average number of employees;
- net income from the sale of products (goods, works, services);
- book value of assets (Table 5.4) (About accounting and financial reporting in Ukraine, 1999).

*Table 5.4*

**Criteria for assigning enterprises to a certain category in accordance with the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”**

No.	Enterprise category	Criteria		
		Balance sheet activity value of assets, euros	Net profit from sales, euros	Average amount employees, people
1	Micro	To 350 000	To 700 000	To 10
2	Small	To 4 000 000	To 8 000 000	To 50
3	Medium	To 20 000 000	To 40 000 000	To 250
4	Big	More than 20 000 000	More than 40 000 000	More than 250

*Source: formed according to (About accounting and financial reporting in Ukraine, 1999)*

The above provides an opportunity to form the opinion that the regulatory regulation of small business is quite different.

It should be noted that in world practice there are not only single quantitative, but also qualitative criteria for determining small business entities. The most common quantitative criteria are:

- average number of employees;
- annual turnover (sales volume);

– book value of assets.

Among the qualitative criteria, the following can be distinguished:

- independence of the enterprise from other business entities;
- performance of management functions by the owner of the enterprise (Madriga, 2022).

The European Union defines the concept of small business in a slightly different way. In particular, small business is divided into: medium-sized business, small business and micro-enterprise (Table 5.5), and the main factors that determine the size of the enterprise are:

- 1) number of employees;
- 2) annual turnover or annual balance.

The indicated indicators are used only for individual enterprises, if the enterprise is part of a group of enterprises, these indicators are not used.

The International Organization for Economic Cooperation and Development (OECD), which includes highly developed countries, offers the following grouping of enterprises by size:

- very small – 1-19 employees;
- small – 20-99 employees;
- average – 100-499 employees;
- large – 500 or more employees.

At the same time, the introduction of preferential taxation and simplified accounting (simplified system of taxation, accounting and reporting) has a positive effect on the development of the latter.

*Table 5.5*

**Criteria for the inclusion of enterprises in the category of small enterprises in the countries of the European Union**

Category of companies	Number employees	Annual turnover	Annual total balance
Medium enterprises	< 250	≤ € 50 millions	≤ € 43 millions
Small businesses	< 50	≤ € 10 millions	≤ € 10 millions
Microenterprises	< 10	≤ € 2 millions	≤ € 2 millions

*Source: (Madriga, 2022)*

The definition of a simplified system of taxation, accounting and reporting is presented in the Tax Code of Ukraine – it is a special mechanism for the payment of taxes and fees, which establishes the

replacement of the payment of individual taxes and fees with the payment of a single tax in the order and under the conditions determined by the PKU, with the simultaneous maintenance of simplified accounting and reporting (Article 291 of the Criminal Code) (Podolianchuk, 2017).

Such enterprises include four groups of business entities that are payers of a single tax (Tax Code of Ukraine, 2010):

1) the first group – natural persons – entrepreneurs who do not use the labor of hired persons, carry out exclusively retail sales of goods from trading places in the markets or conduct business activities for the provision of household services to the population and whose income during the calendar year does not exceed 167 minimum wages;

2) the second group – natural persons – entrepreneurs who carry out economic activities for the provision of services, including household services, to single tax payers or the population, production or sale of goods, activities in the field of restaurant business, provided that during the calendar year they meet the set of such criteria:

– do not use the labor of hired persons or the number of persons who are in labor relations with them does not exceed 10 persons at the same time;

– the amount of income does not exceed 834 minimum wages.

3) the third group – natural persons – entrepreneurs who do not use the labor of hired persons or the number of persons who are in labor relations with them is not limited and legal persons - business entities of any organizational and legal form, in which during the calendar year annual income does not exceed 1167 minimum wages;

4) the fourth group – agricultural producers:

a) legal entities, regardless of the organizational and legal form, in which the share of agricultural production for the previous tax (reporting) year is equal to or exceeds 75 percent;

b) natural persons – entrepreneurs who carry out activities exclusively within the boundaries of a farm registered in accordance with the Law of Ukraine “On Farming”, provided that all of the following requirements are met:

– exclusively grow, fatten agricultural products, collect, catch, process such self-grown or fattened products and sell them;

– conduct business activities (except supply) at the place of tax address;

- do not use the labor of hired persons;
- members of the farm of such an individual are only members of his family in the definition of the second part of Article 3 of the Family Code of Ukraine;
- the area of agricultural land and/or water fund land owned and/or used by members of the farm is not less than two hectares, but not more than 20 hectares.

However, if the first and second groups are undoubtedly small business entities, then for the third and fourth groups there is a restriction on the number of employees, in accordance with the Economic Code of Ukraine (Podolianchuk, 2017).

A legal entity or an individual entrepreneur can independently choose a simplified taxation system, provided that it meets the criteria of a single tax payer and is registered as a single tax payer of the relevant group (Podolianchuk, 2017).

In the scientific literature, there are many different approaches to the interpretation of the concept of “small business”.

A number of scientists prefer a definition based on the essence of the normatively defined category of "entrepreneurship" and note that small entrepreneurship is an independent, systematic initiative economic activity of small enterprises and citizen entrepreneurs, which is carried out at one's own risk for the purpose of profit. Practically, this is any activity (production, commercial, financial, insurance, etc.) of the specified business entities aimed at realizing their own economic interest.

It is a good idea that the main goal of a small business entity is to make a profit and satisfy social and personal needs. The tasks facing the entrepreneur in order to achieve this goal are listed in Fig. 5.1.

According to research by scientists, small business entities can also be agricultural producers who comply with the provisions of the GKU in terms of choosing an organizational and legal form. After all, there are no separate legislative acts that would directly regulate the development of small businesses in the agricultural sector. Today, the Law of Ukraine “On Farming” defines the functioning of farms as a progressive form of activity of citizens in the field of agriculture (Podolianchuk, 2017).

According to the Law of Ukraine “On Farming” (On Farming, 2003), farming is a form of entrepreneurial activity of citizens who



have expressed a desire to produce marketable agricultural products, to carry out their processing and sale for the purpose of obtaining profit on land plots provided to them in their ownership or use, including for rent, for farming, commodity agricultural production, personal peasant farming.

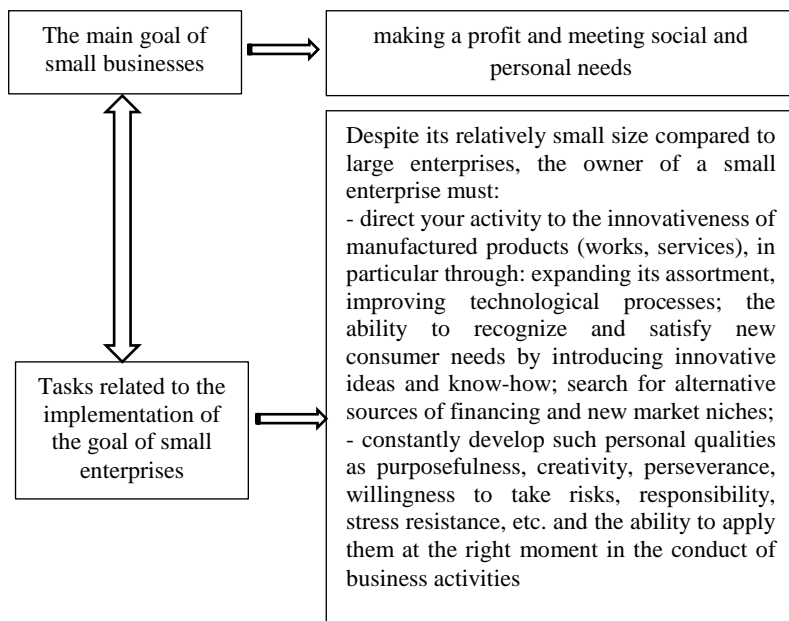


Fig. 5.1. Characteristics of the purpose and tasks of a small enterprise

Source: (Batsora, 2015)

In scientific publications, it is noted that the definition of a farm is based on the category of agricultural commodity producer. Precisely because of the compliance with the criterion of an agricultural commodity producer, a whole series of regulatory and legal documents apply to the procedure for the creation and operation of a farm, in particular, norms relating to the specifics of the creation and termination of activities, the selection of a system of taxation and accounting, land use and state support (Podolianchuk, 2020).

The study of the regulatory and legal regulation of the development

of small entrepreneurship confirms its divergence and unsettledness, including and for agricultural business. This, in turn, has a significant impact on the choice of the organizational and legal form of business by business entities and the possibility of using a simplified system of taxation, accounting and reporting. In this case, the PKU is a priority for the selection of organizational and legal forms by entrepreneurship subjects (Podolianchuk, 2017).

The organizational and legal forms of farms shown in Table 5.6 position a variety of methodological features of the organization of accounting and the formation of an accounting policy, which requires new approaches to the application of professional accounting judgment (Sadovska, Babich, Nagirska, 2019). There are also multivariate systems of taxation of operations, which depend on the belonging of farms to a certain organizational and legal form.

*Table 5.6*

**Organizational and legal forms of farms**

No.	Contents of the organizational and legal form of farming	Founding document	The basis of the Law “On Farming”
1	farm – a legal entity	Regulations	part. 4 p. 1
2	farm – a natural person-entrepreneur without the status of a legal entity	Agreement (Declaration) on the establishment of FE	part. 4 p. 1
3	family farming – a legal entity	Regulations	part. 5 p. 1
4	family farming without the status of a legal entity	Agreement (Declaration) on the establishment of FE	part. 5 p. 1

*Source: (Sadovska, Babych, Nahirska, 2019)*

It is necessary to pay attention to the fact that farming is a structure that by its capacity includes the possibility of using various organizational forms of private, family and hired labor. We are dealing with a qualitatively new formation characterized by the provision of property and land into private ownership. That is, work, property, and management are integrated in one person (family). Such a combination of various functions in one person is the basis of production organization; the possibility of using family potential, taking into account consolidating factors, interests and goals; the presence of an informal leader, the implementation of control rights of

the owner-manager. However, it should be noted that strong farms are also being formed that use hired labor (Podolianchuk, Koval, Gudzenko, 2019).

Today, farming has a number of advantages over other economic entities, namely: the possibility of using a special tax regime, the family nature of the business, the possibility of free privatization by farm members of land received for use, the possibility of non-competitive (without conducting land auctions) acquisition of land plots in ownership or lease from state and communal land, significantly lower legislative risks associated with the area of farm land (Nesterenko, 2017).

The legislation stipulates that the farm keeps accounting records of the results of its work and submits financial statements, statistical information and other data established by the legislation of Ukraine to the relevant authorities. Questions regarding the number of employees and the amount of farm income are not determined. It is only noted that, in case of production needs, the farm has the right to involve other citizens to work in it under an employment contract (contract), and all issues of labor relations are regulated by labor legislation (Podolianchuk, 2017).

Small business is the driving force of the entire economy of the state. This thesis is confirmed by the practical experience of Ukraine and foreign countries.

The advantages of a small business include quick response to market challenges and innovations, well-practiced personal communication and social adaptation. It is small business that is the basis of the social and economic development of the European Union, where there are more than 20 million small and medium-sized enterprises, which generate the majority of the total turnover, added value and account for up to 70% of employed persons. Consider the importance of small business in the developed countries of the world (Table 5.7).

The results of the study indicate that the performance indicators of small business entities have a positive trend.

In today's conditions, when the country's economy is operating in conditions of war, this means that a powerful layer of Ukrainian manufacturers is now forming that offer quality goods and services, support the army or territorial defense, help financially, support

workers who defend the country, and can also compete on international markets.

*Table 5.7*

**Small business in the developed countries of the world**

No.	Country	Value
1	Spain	In agriculture, 80% of small enterprises, in construction, industry, shipbuilding – 25-30%
2	Japan	Family businesses make up 32% of the total number, private enterprises – 48%, legal entities – 20%. The total share of small business in GDP is more than 53%
3	USA	Small business creates about 50% of GDP, provides work for 50% of the working population, creates 25% of exports of goods and services, has 13 times more patents than large enterprises. The number of small enterprises is more than 90% of the country's firms
4	Italy	It is considered a classic small business country: there are 3.5 million small and medium-sized enterprises operating in the country, which employ approximately 13 million people (79% of the entire workforce), producing 52% of GDP. Most enterprises operate within their own industrial districts

*Source: (Kozak, Hevlych, 2021)*

At the same time, the state should support farmers. As of the end of April this year, banks issued loans to 3,070 agricultural producers for UAH 8 billion 840 million. The main part of this amount was attracted under the program of portfolio guarantees 80% – UAH 7 billion 155 million. The top three oblasts in attracting loans over the past month remain unchanged: Kirovohrad (1 billion 473 million UAH), Vinnytsia (1 billion 308 million UAH), Dnipropetrovsk (1 billion 200 million UAH). It is followed by Odesa (887 million 348 thousand UAH), Volyn (536 million 989 thousand UAH), Lviv Region (516 million 178 thousand UAH), Poltava Region (477 million 527 thousand UAH) and Ternopil region (465 million 126 thousand UAH) (Official website of the Ministry of Agrarian Policy and Food of Ukraine, 2022).

In connection with the introduction of martial law in Ukraine, which was caused by the military aggression of the Russian Federation against Ukraine, from April 1, 2022 until the termination or cancellation of martial law on the territory of Ukraine, tax incentives are provided for income tax payers. The draft law defines the

possibility of transition of income tax payers to the payment of a single tax of 3 groups of payers. The key provision of this normative document is the possibility of natural persons-entrepreneurs and legal entities with an annual income of up to 10 billion hryvnias to pay a single tax in the amount of 2% of income according to the rules established for 3 groups of single tax payers. At the same time, the exemption from the obligation to calculate, pay and submit tax reporting on value added tax on transactions for the supply of goods, works and services, the place of supply of which is located in the customs territory of Ukraine, was noted. Such changes are aimed at supporting the national economy and preserving small and medium-sized businesses during the war.

In our opinion, support for small business should primarily be aimed at eliminating or reducing the impact of weaknesses and threats to its activity. The development by state authorities of effective mechanisms for supporting small businesses in wartime is an integral stage in the improvement of state policy in the field of economy. This will affect trust in the authorities and stabilization of revenues to the state budget of the country.

## **5.2. The state of accounting of small business entities in the agrarian sphere**

The norms of the Tax Code of Ukraine, which determine the classification of business entities by groups of payers of the simplified system of taxation, accounting and reporting, have a significant impact on the choice of accounting forms.

According to scientists, bookkeeping without the use of double entry is characterized by the presence of one entry for each economic transaction, filling in one column to reflect receipts and expenditures of funds. The advantage of such accounting is the considerable simplicity of its management, but it has more disadvantages than advantages: such accounting does not have the ability to track inventory accounts, payables and receivables. Accounting without the use of double entry has the ability to calculate net income, however, it is not adapted to develop a balance sheet and track changes in asset and liability accounts, which is absolutely necessary for the preparation of financial statements (Belova, Semenysheva, Melnychuk, 2019).

Accounting, as an important element of the economic system, provides the informational needs of enterprise management. Changes in approaches to conducting business, increasing information management needs, and constant transformations taking place in the regulatory and legal regulation of accounting and tax accounting of business entities require a review of approaches to the organization of their accounting (Podoliyanchuk, 2017).

In the process of forming the financial accounting system of a small enterprise, constant changes were made to the composition and structure of its elements, which affected the level of generalization of information, which had both positive and negative consequences for its users. This especially applied to the elements of the simplified system of accounting and reporting, which requires their research, taking into account the historical aspect (Belova, Semenysheva, Melnychuk, 2019).

There are certain features in the organization of accounting of the activities of small enterprises, which are distinguished at the following stages: methodical, technical, and organizational. At the methodical stage, the accounting methodology is formed as a system of the most general principles, methods and methods of display on the accounting accounts and in the reporting forms of economic transactions. The main principles of the organization of the accounting process at small enterprises are regulated by the National Accounting Regulation 1 “General requirements for financial reporting” (accrual and matching of income and expenses, full coverage, consistency, prudence, content prevails over form, etc.). The method of accounting for the activities of small enterprises is determined by a set of eight elements (additive approach): documentation, inventory, assessment, calculation, accounts and double entry, balance sheet and reporting.

The procedure for using the elements of the accounting method in small business entities is shown in Table 5.8.

Therefore, small enterprises use all eight elements of the accounting method, individual entrepreneurs use only four (Pavelko, 2022).

The methods of processing accounting information determined at the technological stage in small enterprises are divided into three types: paper, mechanized and computerized (automated), depending on the type of computer technology used (Pavelko, 2022).

Table 5.8

**Use of elements of the accounting method in small business entities**

No.	Elements of the accounting method	Small businesses	Individual entrepreneurs
1	Documentation	External documents must be used. The number of internal documents can be significantly reduced by choosing alternative accounting options	External documents are used to confirm the amount of income and expenses. Individuals who pay a single tax shall document the amount of income received
2	Inventory	An inventory is carried out in order to determine the actual availability of valuables and calculate the amount of their disposal under the condition of a periodic accounting system	The inventory is carried out at one's own request
3	Rating	Used by any enterprise to express assets, capital, liabilities and business transactions in a monetary unit	Used to determine the amount of income and expenses
4	Calculation	Conducted to obtain information for the purpose of making management decisions and substantiating prices for goods, finished products, works and services	They are carried out at their own request in order to obtain information for making management decisions
5	Accounts	They use a simplified chart of accounts. The company determines the list of accounts independently, drawing up a working plan of accounts	Not used
6	Double entry	Businesses that must prepare a balance sheet cannot keep records without using double entry	Not used
7	Balance	Compile according to abbreviated forms (f. No. 1-m and f. No. 1-ms)	Not used
8	Financial Statements	Compile according to the abbreviated forms "Balance Sheet" (f. No. 1-m and f. No. 1-ms) and "Report on Financial Results" (f. No. 2-m and f. No. 2-ms)	Not used

Source: (Pavelko, 2022)

The organizational stage has no significant differences for both small and medium-sized and large enterprises, as it is intended for the establishment of a system of administrative management in accounting, which involves, first of all, the establishment of the most effective accounting system; determination of the optimal staffing structure of the accounting apparatus; establishment of labor standards and time required for work performance; recruitment and their training; rational organization of workplaces of accountants; establishment of an effective system of accounting for the work of employees and control over their performance of their functions; organization of the archive of accounting documents; organization of security and protection of accounting information (Pavelko, 2022).

The goal of the accounting organization is to build such an accounting system that would correspond to the purposeful, planned activities of the enterprise and provide the necessary information for internal and external users. Without effective accounting, no enterprise will be able to properly organize and carry out its business activities (Podolianchuk, Koval, Gudzenko, 2019).

Scientists single out a number of factors that influence the choice of the form of accounting by business entities (Table 5.9).

The above indicates that the choice of the form of accounting is a complex issue, the solution of which requires taking into account various factors regarding the specifics of their activity.

Research results show (Podolianchuk, 2019) that the chosen type of management affects the choice of the taxation and accounting system by business entities.

According to the norms of the Tax Code of Ukraine, economic entities in the agrarian sector can apply two options for taxation: the general system of taxation and the simplified system of taxation.

The simplified system of taxation, accounting and reporting provides for a special mechanism for dealing with taxes and fees, which establishes the replacement of the payment of individual taxes and fees with the payment of a single tax in the manner and under the conditions determined by the Tax Code of Ukraine, with the simultaneous maintenance of simplified accounting and reporting (Podolianchuk, 2017).



Table 5.9

**Factors affecting the choice of accounting form of economic entities**

Factors	Characteristic
Legal status	The status of an individual entrepreneur does not require the preparation of financial and statistical reports, and the status of a joint-stock company requires the unconditional use of a full chart of accounts and does not allow the use of a simple and simplified form of accounting
Enterprise size	The area of agricultural land, livestock and poultry, etc
Income from entrepreneurial activity	A simple and simplified accounting form can be used by micro-enterprises and small enterprises
Variety of activities	Crop production, livestock production and their structure
The number of farm members	Number
Availability and number of hired workers	Average registered number
Relations with the taxation system	Tax system, exemption from certain taxes, reduction of tax rates, provision of tax benefits, etc
Relations with the State Statistics Service	List of forms of statistical reporting and their content
Content of financial statements	The content of financial statements requires the accumulation of information to fill in its articles, which affects the choice of accounting form
Qualification level	The level of qualification of managers and accounting personnel of the enterprise and their initiative, etc
Cost and quality of outsourcing	The cost and quality of outsourcing accounting services can be decisive when choosing it
Availability of technical equipment for management functions	Computer equipment, software products, office equipment, etc
Tactics and strategy of enterprise development	The purpose and tasks of the enterprise's long-term development, the use of expected investments, innovations, tactical approaches to solving future tasks
Receiving subsidies	The receipt of subsidies depends on the legal status of the enterprise

Source: (Len, Zotsenko, 2014)

The general system of taxation, accounting and reporting has a complex system of conducting business from the point of view of

accounting and reporting. However, it allows you to engage in any type of activity and there are no other restrictions inherent in the simplified taxation system. The general taxation system consists of a set of taxes and fees to the budget, which are calculated according to the procedure established by the laws of Ukraine (Podolianchuk, 2017).

Scientific studies confirm both the advantages and disadvantages of the specified taxation systems (Table 5.10).

*Table 5.10*

**Advantages and disadvantages of the taxation system**

The taxation system	Benefits	Disadvantages
General	lack of restrictions on the types of activities and the amount of income and the number of employees; a wider possibility of planning and optimization of taxation (as a result of the influence of the volume of expenditures on the tax base); the amount of income tax paid directly depends on the volume of income for the reporting period	complexity of administration (stricter requirements for record keeping and reporting); rather high tax burden, especially in the presence of employees, etc
Simplified	ease of charging a single tax; simplified record-keeping and relative simplicity of reporting; exemption from payment by the payer of a single tax, a number of taxes and mandatory payments; the costs of paying for the products of single tax payers-legal entities can be attributed to the costs of counterparties-payers of income tax	the tax base is the entire amount of revenue from the sale of products (goods, works, services), without deducting the costs of the enterprise

*Source: (Podolianchuk, 2020)*

The second issue of organization of accounting of a subject of small business-legal entity is the choice of the form of organization of accounting. The choice of form of accounting organization is influenced by: the size of the small business entity and the taxation system under which it operates. Instructions for choosing the form of

accounting organization are contained in the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” (On Accounting and Financial Reporting in Ukraine, 1999) and the National Regulation (Standard) of Accounting (NP(S)BO) 25 “Simplified financial reporting» (Regulations (standard) of accounting 25 “Simplified financial reporting”, 2000).

Small enterprises of the agrarian sector keep accounting in accordance with (Podolyanchuk, Koval, Gudzenko, 2019):

1. Law of Ukraine “On Farming” dated 19.06.2003 No. 973-IV;
2. Law of Ukraine “On Accounting and Financial Reporting in Ukraine” dated July 16, 1999 No. 996-XIV;
3. Methodological recommendations on the organization and maintenance of accounting in peasant (farm) farms, approved by the order of the Ministry of Agrarian Policy of Ukraine dated July 2, 2001 No. 189;
4. Methodological recommendations on the use of accounting registers by small enterprises, approved by the order of the Ministry of Finance of Ukraine dated 06.25.2003 No. 422;
5. Farms that keep accounting on a general basis use methodological recommendations for the use of registers of the journal-order form of accounting for agricultural enterprises, approved by the order of the Ministry of Agrarian Policy of Ukraine dated 04.06.2009 No. 390;
6. Methodical recommendations on the use of accounting registers by small enterprises dated 15.06.2011 No. 720 are intended for keeping accounting registers by small business entities by legal entities that have the right to keep simplified records of income and expenses. Methodological recommendations No. 720 determine the system of registers, the procedure and method of registration and summarization of information in them without the use of double entry for the preparation of the Simplified financial report of a small business entity in the form according to Appendix 2 to NP(S)BO 25;
7. National regulation (standard) of accounting 25 “Simplified financial reporting”, approved by order of the Ministry of Finance of Ukraine dated February 25, 2000 No. 39;
8. National regulation (standard) of accounting 1 “General requirements for financial reporting”, approved by order of the Ministry of Finance of Ukraine dated February 7, 2013 No. 73.

Generalization of information about business operations by small enterprises can be carried out according to: journal, simple and simplified form of accounting.

The journal form of accounting provides for the formation of information in journals and information to them, on the basis of primary documents when they are received by the accounting department or based on the results for the month. This form of accounting is used only if the subject of a small business carries out complex production and it is material-intensive, which causes the display of a large number of economic transactions and calculations (Markus, 2020).

A simple form of accounting is recommended for use in small enterprises that perform a small number of economic operations during the month and do not produce products and work associated with large material costs. But it is mandatory to reflect economic transactions using the double-entry method (Markus, 2020).

A simplified form of accounting is used if the use of a simple form of accounting is impossible or at the discretion of the small business entity. The simplified accounting form allows you to display business transactions in two ways: without using double entry or with its use. It provides for the selection of one of the options for the composition of the registers offered for use by small business entities:

- application of accounting registers by small enterprises, approved by Order No. 422 of June 25, 2003. Methodical recommendations provide for the use of 1 journal and 5 pieces of information to it;

- regulated by methodological recommendations on the use of accounting registers by small enterprises, approved by Order No. 720 dated 15.06.2011, which provide that the form of accounting using property accounting registers provides for 4 journals and 5 records of accounting of economic transactions (Markus, 2020) .

Forms of accounting that can be chosen by farms are presented in Table 5.11.

All the above-mentioned forms of accounting and generalization of information can be presented in an automated data processing system (Markus, 2020).

The introduction of an automated form of accounting into the accounting process is connected with the replacement of paper information carriers with electronic ones with the provision of legal

force, in accordance with the Regulation on documentary support of records in accounting approved by the Order of the Ministry of Finance of Ukraine dated May 24, 1995 No. 88.

*Table 5.11*

**Accounting forms approved in Ukraine**

The name of methodological recommendations	Approved	Accounting forms	It is recommended for use
Methodical recommendations on the organization and management of accounting in farms	Order dated 02.07.2001 No. 189	Simple	Village (farming) households without the involvement of hired workers
		Simplified	Village (farming) farms with the involvement of hired workers
Methodological recommendations for the application of accounting registers by small enterprises	Order dated 25.06.2003 No. 422	Simple	Small businesses
		Simplified	Small businesses
Methodological recommendations on the use of accounting registers by small enterprises	Order No. 720 dated 15.06.2011	Simplified	Small enterprises that meet the requirements of Art. 156 LCU
Methodical recommendations on the application of accounting registers	Order dated 12/29/2000 No. 356	Journal order	Enterprises and organizations and other legal entities (except banks and budget institutions)
Methodical recommendations for the application of registers of the journal-order form of accounting for agricultural enterprises	Order dated 04.06.2009 No. 390	Journal order	Agricultural enterprises

*Source: (Podolianchuk, 2020)*

The automated (computerized) form of accounting is based on the complex use of high-speed electronic computing machines (ECMs), which provide an automated process of collecting, registering and processing accounting information necessary for control and management. However, in addition to the advantages, the automated

accounting system at the enterprise has a number of disadvantages, which include: problems of the general organization of business and accounting; high cost of implementing an automated accounting system; lack of perfect computer skills of the accountant of the enterprise, as well as other employees of the enterprise; computer unreliability (computer failure, software failure, viruses, improper use of a computer can cause the loss of valuable information) (Podolianchuk, 2017).

Currently, accounting in farms is conducted according to one of the selected forms (Fig. 5.2).

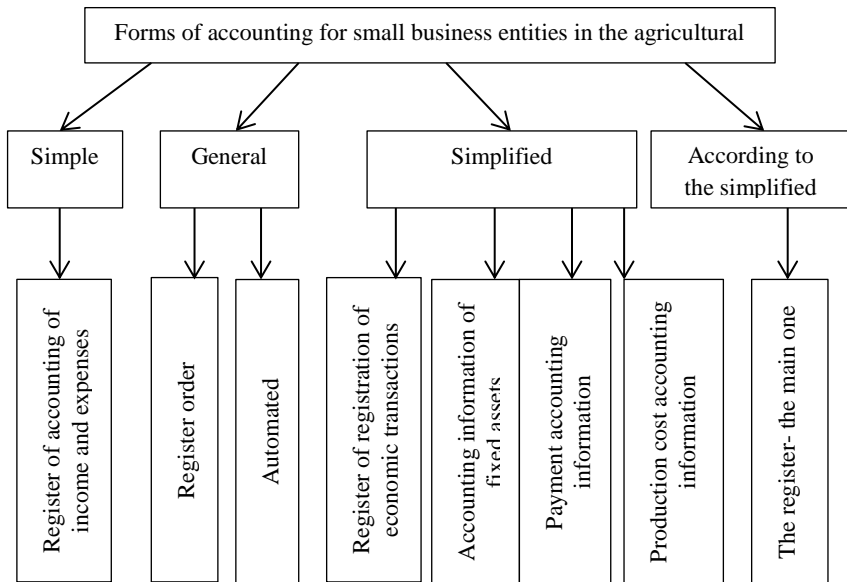


Fig. 5.2. Accounting forms in farms according to current legislation  
 Source: summarized by the author

Regardless of the chosen form of accounting, all small business agrarian enterprises are required to confirm business operations with appropriate primary documents. At the same time, you can use both self-developed documents and approved forms, in particular, such as:

- specialized forms of primary documents for accounting for fixed assets and other non-current assets of agricultural enterprises, approved by the Order of the Ministry of Agriculture and Food dated

September 27, 2007 No. 701;

- specialized forms of primary documents for accounting of production stocks at agricultural enterprises, approved by Order No. 929 of the Ministry of Agrarian Policy and Food dated December 21, 2007;

- specialized forms of primary documents for accounting of long-term and current biological assets in agricultural enterprises, approved by the Order of the Ministry of Agricultural Policy and Food dated February 21, 2008 No. 73;

- specialized forms of primary documentation for fish farming entities in the field of aquaculture, approved by the Order of the Ministry of Agriculture and Food dated June 19, 2012 No. 362.

Taking into account the organization of the accounting system of individual small businesses, namely legal entities – payers of the uniform tax of group III and not registered as payers of value added tax, in accordance with the norms of tax legislation, they are given the right to keep simplified records of income and expenses. Accordingly, they have the right to generalize information in accounting registers without using double entry (Podolianchuk, 2020).

In practice, agricultural enterprises are guided by the recommendations developed for peasant (farming) farms approved in 2001 when organizing and keeping accounting records. However, today they are significantly outdated. Among the farms there are small business entities, as well as large and medium ones. It is worth noting that the norms of the Tax Code of Ukraine, which determine the classification of business entities by groups of payers of the simplified system of taxation, accounting and reporting, have a significant influence on the choice of accounting forms (Podolianchuk, 2020)

Financial reporting is prepared by all subjects of entrepreneurial activity – legal entities.

The following are included in the financial reporting of small business entities in the agricultural sector under the simplified taxation system (Regulations (standard) of accounting 25 “Simplified financial reporting”, 2000):

- 1) Financial report of a small business entity, which includes: f. No. 1 “Report on financial condition” and No. 2 “Report on financial results” provided for legal entities – small business entities recognized as such in accordance with the law;

2) Simplified financial report of a small business entity: f. No. 1 MS “Report on Financial Status” and No. 2 MS “Report on Financial Results” intended for small business entities – legal entities that keep simplified accounting records of income and expenses in accordance with tax legislation, and for entities small business – legal entities that meet the criteria of micro-business.

In accordance with the current accounting legislation, to ensure the management of accounting, management independently chooses the form of its organization:

- introducing the position of accountant to the farm staff or creating an accounting department headed by the chief accountant;
- using the services of an accounting specialist, registered as an entrepreneur, who carries out business activities without creating a legal entity;
- accounting by a centralized accounting department or auditing firm on a contractual basis;
- independent accounting and reporting directly by the owner or manager of the enterprise.

Considering the above, scientists consider the issue of outsourcing accounting services in farms.

The advantages of this form of accounting support have been confirmed at the level of small enterprises in the non-agricultural sector. At the same time, relatively small costs give the effect of professional accounting support, which includes consulting, keeping primary accounting documents, summarizing data in registers according to various classification features determined taking into account the individual approach to each farm, drawing up external reporting (financial, statistical, tax, other ), monitoring compliance with taxation systems, monitoring access to international and state assistance programs for agricultural producers, as well as other services not prohibited by current legislation (Sadovska, Babich, Nagirska, 2019).

### **5.3. Outsourcing in the accounting system of small agrarian business enterprises**

Subjects of small agrarian entrepreneurship are personal family farms, farms and small enterprises related to the production and processing of agricultural products. Also, in the domestic literature, a



separate term “small form of economy” (SFE) is used. According to scientists, these are subjects of entrepreneurial activity, which are characterized by a combination of the owner and the manager in one person, who assumes all financial, psychological and social risks in order to obtain profit or satisfy personal needs (Proshchalykina, Dudnyk, 2017).

Small businesses, especially farms, play an important role in the development of the agro-industrial complex of the developed countries of the world. Producing more than 50% of gross agricultural products, they are characterized by a high level of labor productivity, environmental friendliness of products, support of territorial ecosystems, etc. (Nazarkevych, 2014).

Due to their flexibility and mobility, they quickly respond to the needs of the market and look for the most optimal ways of using their own resources. There are more than 500 million family farms in the world, they control more than 70% of agricultural land and produce more than 80% of agricultural products (Proshchalykina, Dudnyk, 2017).

Small forms of business need specific support tools from the state due to the greater riskiness of their activities and more complex conditions of access to additional resources (Proshchalykina, Dudnyk, 2017).

It is worth noting that changes in the economic situation and the Tax Code of Ukraine in terms of the implementation of agricultural activities affected the situation of land use in rural areas. As a result, the owners of land shares more often began to cultivate their land plots on their own. However, the issue of record keeping became problematic for them. Therefore, it is currently relevant to work out the legal regulation of accounting outsourcing and directions for its application by small agricultural producers (Podolianchuk, 2019).

At the current stage, outsourcing is widespread in many areas of business. Outsourcing service providers (outsourcers) offer their services in the field of information technology, marketing, logistics, production of components, personnel management, accounting, legal support, administrative and economic services.

In the scientific literature, different positions regarding the interpretation of the concept of outsourcing are highlighted, which is caused by the lack of its normative and legal consolidation.

The term “outsourcing” is borrowed from the English language (out – external, source – source) and is translated as “using other people’s resources”.

According to the National Classifier of Ukraine “Classification of Types of Economic Activity” DK 009:2010, outsourcing is an agreement according to which the customer instructs the contractor to perform certain tasks, in particular, a part of the production process or the entire production process, provision of recruitment services, support functions. This approach to the definition characterizes its legal side. At the same time, the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” defines, in addition to independent accounting, the possibility of engaging an accounting specialist or conducting accounting on a contractual basis by a centralized accounting department or auditing firm. This approach reveals the forms of organization of accounting at the enterprise and gives the right to consider accounting outsourcing (Podolianchuk, 2019).

In modern scientific works and dictionaries, the term “outsourcing” is interpreted in different ways:

- transfer of traditional non-key functions of the organization (such as, for example, accounting or advertising activities) to external performers – outsourcers, subcontractors, highly qualified specialists of a third-party company;

- rejection of own business process and purchase of services for the implementation of this business process in a third-party organization;

- a method of optimizing the activities of enterprises by focusing efforts on the main subject of activity and transferring non-core functions and corporate roles to external specialized companies;

- using a temporary employee without concluding an employment contract with him through the mediation of a specialized agency;

- the process of separation of functions traditional for enterprises of a certain industry or initially planned for independent performance outside the main enterprise;

- involving the resources of another company for the performance of specific secondary tasks, transfer of capacities (Podoliyanchuk, 2019).

We consider it appropriate to define that outsourcing is a service related to the performance of certain functions at the enterprise by

third-party specialists under the conditions of civil-law relations (Podolianchuk, 2019)

This definition makes it possible to claim that the essence of the service is taken into account in the definition of outsourcing (Table 5.12).

*Table 5.12*

**Definition of the term service**

Definition	Normative document
1	2
Service – the activity of the performer to provide (transfer) to the consumer a certain tangible or intangible good defined by the contract, which is carried out according to the individual order of the consumer to meet his personal needs	On the protection of consumer rights: Law of Ukraine No. 1023-XI of 12.05.1991
Service – reception and service of insured persons, persons who are registered with the Pension Fund bodies as pension recipients, persons entitled to the appointment of a pension, payment of burial benefits, insured persons or persons authorized by them in order to resolve the issue with which they apply to the bodies of the Pension Fund	On the organization of reception and service of persons applying to the bodies of the Pension Fund of Ukraine: Resolution of the Board of the Pension Fund of Ukraine No. 13-1 dated 07/30/2015.
Service – any activity (except production of goods and performance of works)	On the approval of the Regulation on the procedure for selecting persons who can perform work (provide services) to insolvent banks or banks that are being liquidated by the Individual Deposit Guarantee Fund: Decision of the Executive Directorate of the Individual Deposit Guarantee Fund No. 434 of March 28, 2016.
Service – provision of information (information) and/or documents in electronic form	On the approval of the procedure for the functioning of the Electronic Cabinet: Order of the Ministry of Finance of Ukraine No. 637 dated 14.07.2017
A service is an administrative service provided to an individual	On the approval of the procedure for registering individuals in the electronic queue for receiving administrative services provided by the State Migration Service of Ukraine: Order of the Ministry of

*Continuation of table 5.12*

1	2
	Internal Affairs of Ukraine No. 732 dated September 5, 2018.
Service – any operation that is not the supply of goods, or any other operation on the transfer of the right to objects of intellectual property rights and other intangible assets or the provision of other property rights in relation to such objects of intellectual property rights, as well as the provision of services that are consumed in the process of committing a certain action or carrying out a certain activity	LCU

*Source: based on (Podoliyanchuk, 2021)*

At the same time, we have the opportunity to distinguish the main differences between “outsourcing” and “service” (Table 5.13).

*Table 5.13*

**Distinctive features of service outsourcing**

A sign of difference	Outsourcing	Service
Deadline	Long term cooperation	One-time implementation
Purpose of implementation / execution	Transfer of part of the functions or activities (business processes) stipulated by the contract in order to improve the result	Carrying out certain actions within the framework of contractual obligations for the operation of the enterprise or the implementation of economic processes
Contractual obligations	The contract defines the transfer of functions or powers	The scope of work performed as a result of the service is defined in the contract

*Source: based on (Podoliyanchuk, 2021)*

Thus, as a result of outsourcing, a service (services) is provided, as a result of which obligations arise from two parties – business entities, the form of manifestation of which are the rights and obligations fixed in the contract, regarding the provided by one (the outsourcer) and the received by another (outsourcing customer) party (Podoliyanchuk, 2021).

Guided by the materials of the conducted research and using the idea of our own approach, we will form judgments about the nature of

the studied category through the relationship of essence, content and form of manifestation (Fig. 5.3).

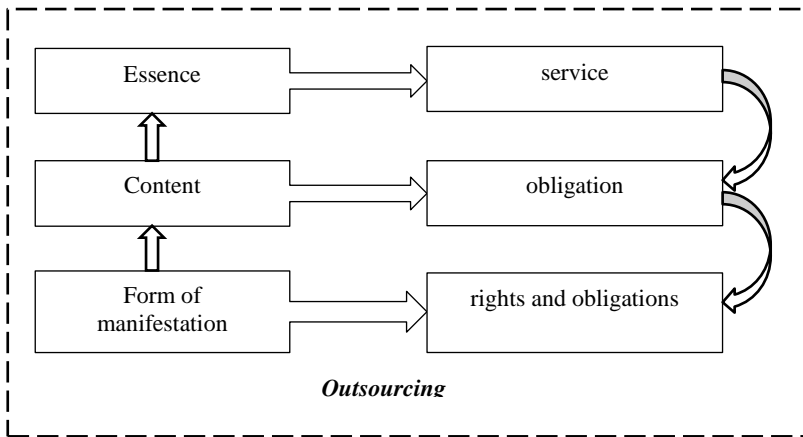


Fig. 5.3. Semantics of outsourcing as an economic category

Source: (Podoliyanchuk, 2021)

We believe that the peculiarity of outsourcing, unlike other types of services, is its long-term duration and the delegation of part of the authority, responsibility and transfer of risks regarding the processes and functions of the enterprise to specialized firms.

The most common types of outsourcing are accounting, legal, personnel, information technology, logistics and personnel outsourcing.

It is worth noting that there are no studies on the essence of accounting outsourcing in scientific works.

However, as noted by G. I. Lyakhovich, a significant part of enterprises transfers accounting functions to external entities, and the concept of “accounting outsourcing” is increasingly used to denote this process (Lyakhovich, 2016).

In our opinion, accounting outsourcing refers to the outsourcing of business processes.

Most domestic companies that provide outsourcing services perform the following types of work:

- preparation of accounting registers and tax accounting procedures in accordance with current legislation;
- preparation of Ukrainian mandatory quarterly reporting;

- preparation of statistical and financial reports;
- submission of reports to Ukrainian statistical authorities, social insurance authorities, pension fund and tax inspectorate;
- preparation of tax declarations, which must be prepared in accordance with domestic legislation;
- payroll services;
- accounting of fixed assets;
- keeping personnel records;
- keeping primary documentation;
- keeping warehouse records;
- comprehensive accounting service (Poplyuiko, 2011).

In order to understand whether the company needs outsourcing, it is necessary to analyze the current state of affairs of the company. First, analyze his financial situation, his place in the market; identify problems of business development; identify functions or tasks that can or should be optimized and determine their estimated scope (Momot, Smolyak, 2014).

Secondly, to understand what is more profitable – outsourcing or accounting by a “free” hired specialist. Knowing how much it costs the company to maintain the accounting department, knowing the planned load on this department and its functionality, you can choose several outsourcers and ask them to calculate approximately how much their services will cost you (Momot, Smolyak, 2014).

The essence of bookkeeping by a hired freelance accountant is that he may have questionable competence and experience, most often he simply does not delve into the specifics of the company’s activities. There is also no real possibility of monitoring the actions of such a specialist, which can lead to fines (Momot, Smolyak, 2014).

In contrast, accounting outsourcing is a form of interaction in which the outsourcing firm is fully included in all the customer’s work processes and functions as its accounting department, but at the same time legal independence is maintained between them. A specialized company, unlike an accountant or an accounting department, has the opportunity to enter into a contract of professional liability and provide civil legal guarantees of compensation in monetary form, unlike an employee – a natural person or an internal division of the company (Momot, Smolyak, 2014).

Outsourcing companies offer many options for cooperation,

including various options for exchanging information and documents. It can be the transfer of information using computer programs that can be developed by an outsourcing company for each client individually, it can be the actual transfer of documents by a courier, or the transfer of information and documents from external sources directly to an outsourcing or consulting company (Pysarchuk, Strukrva , 2010).

In general, the authors propose the following scheme of document flow and exchange of accounting information between outsourcing or consulting companies and customers of such services (Fig. 5.4).

Thus, the information flows presented in the diagram can generally characterize the following procedures:

- the enterprise receives primary information or documentation from the external environment, which is processed by the enterprise itself,

- according to the agreement, the receipt of some primary information or documentation is delegated to the outsourcing company bypassing the customer, i.e. primary information from the external environment comes directly to the outsourcing company;

- at the enterprise there is a continuous process of formation of primary information and documentation, which is used in accounting and is also transferred to the outsourcing company;

- transfer of primary information or documentation between the parties, reporting of the outsourcing company, as well as transfer of all documents, reports and other information processed by the company, which according to the law must be located at the company using computer equipment, a telephone line or a courier;

- all documents and information that came directly to the company from outside and from enterprises are subject to processing in accordance with the contract in the directions presented;

- as a separate item of outsourcing services, it is possible to highlight the improvement and restoration of accounting, both on the basis of the generalization of a certain “experience” of working with a specific enterprise, taking into account its specifics, and as a separate service;

- improvement and restoration of accounting is possible in all areas of activity. It can be both the processing of primary information and documentation, and the preparation of reports and reporting;

- the outsourcing company acts as a representative of the enterprise

for tax authorities (submitting reports, settling disputes, etc.), social insurance funds, banking institutions (making payments, etc.) (Pysarchuk, Strukrva, 2010).

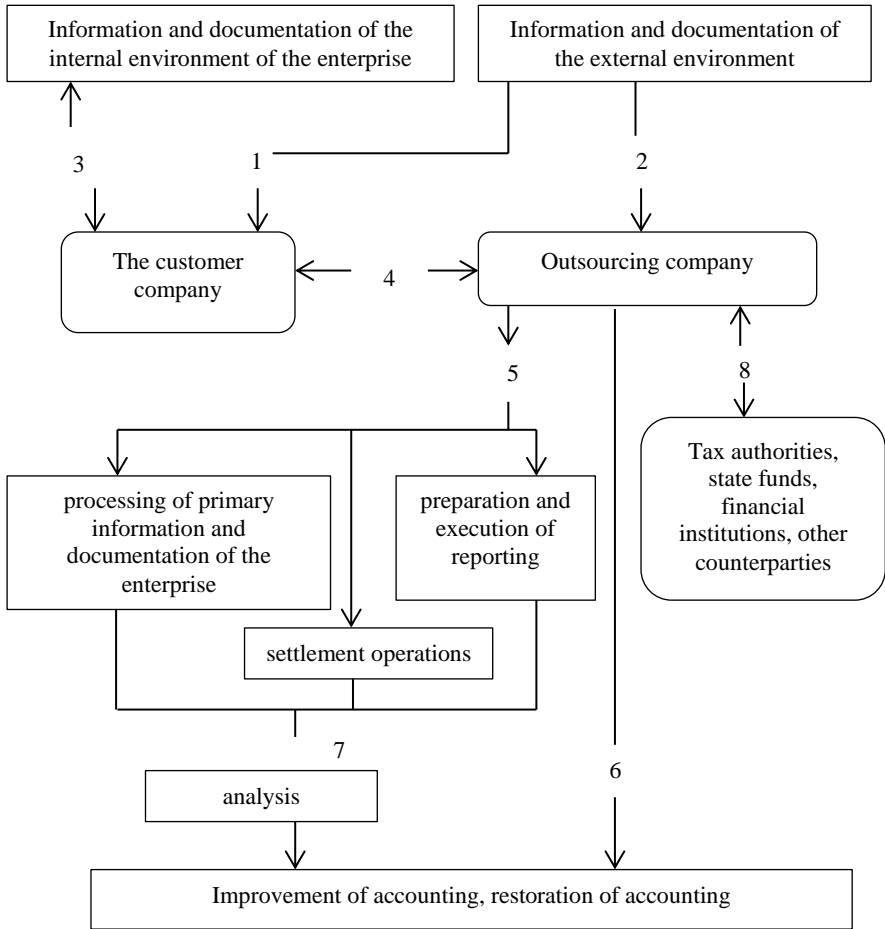


Fig. 5.4. Flow chart of information flows during outsourcing  
 Source: (Pysarchuk, Strukrva, 2010)

The researches of scientists testify to distinguishing the characteristic features of accounting outsourcing:

- 1) accounting functions are transferred on a contractual basis to external executors;



2) the transferred business process is necessary for the full functioning of the enterprise;

3) external executors are professional companies specializing in accounting services;

4) the result of the transfer is an increase in the efficiency and competitiveness of the enterprise due to the concentration of efforts on its main activities and optimization of all types of resources (Lyakhovich, 2018).

Taking into account the above, we support the opinion that accounting outsourcing is a service for performing the functions of the accounting service with the involvement of competent external specialists (Podolianchuk, 2019).

A wide range of procedures and services provided by accounting outsourcing allows us to formulate certain advantages and disadvantages of its use by small business entities:

1 – advantages: qualified performance of functions of the accounting service and reduction of costs for its maintenance, improvement of quality characteristics of financial reporting, saving of labor resources;

2 – disadvantages: danger to confidential data, lack of regulatory regulation, risk of aggravation of cooperation, risk of bankruptcy of the outsourcing company (Podolyanchuk, 2019).

There is no doubt that under the condition of concluding an outsourcing contract, the subjects should be the customer and the executor. The customer is an enterprise that delegates certain business processes; in domestic practice, there is no special concept to designate this entity and a general one is used – customer enterprise or client enterprise (Lyakhovych, 2016).

The entity that undertakes certain business processes in accordance with the outsourcing agreement is the executor or, as it is often called, the outsourcer. In this case, the use of a special concept is justified, since it is widespread in domestic practice, and most importantly, it is necessary to explain certain types of outsourcing, in particular cross-sourcing, which will be described below. Outsourcers include auditing and consulting firms, specialized (outsourcing firms, accounting specialists, registered as natural persons – entrepreneurs, etc.) (Lyakhovich, 2016).

A natural person cannot be an outsourcer, because he, by virtue of

his legal status in relations that are economic or commercial, does not provide such a service. A natural person, in accordance with the norms of civil and economic legislation, is not a participant in economic relations, if he is not registered in accordance with the procedure established by law as a business entity, and therefore cannot have employees to conduct his activities: only a natural person has this right – an entrepreneur or a legal entity that is the subject of economic activity (Efimenko, 2014).

There is no accounting outsourcing model that is universal and suitable for all business entities. The final decision regarding the choice of a specific type of accounting outsourcing should be based on the analysis of all its varieties and taking into account those features that are suitable for a specific enterprise (Lyakhovich, 2018).

The conducted research makes it possible to offer farmers – subjects of small businesses to use the services of an outsourcing company for keeping records (Fig. 5.5).

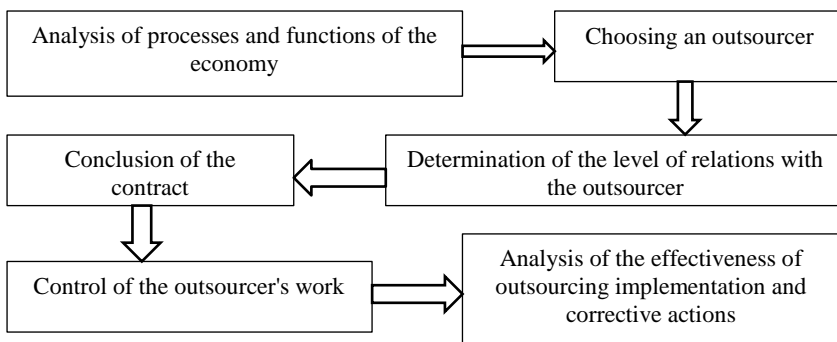


Fig. 5.5. Algorithm for making a decision on the use of outsourcing  
 Source: author's development

The application of accounting outsourcing for the economy is a way to increase the efficiency of the business as a whole by reducing the costs associated with the commercial activity of the enterprise, finding the most optimal taxation regimes, and interacting with tax authorities and other authorities.

## **CONCLUSIONS TO CHAPTER 5**

A small business is able to respond to market conditions most quickly and thus provide the market economy with the necessary mobility. This property of a small business becomes especially important in the conditions of martial law, when the business collapses due to the impossibility of conducting it.

Small agrarian business is one of the important elements of economic development during the war. This institute acts as a driving force for promoting and maintaining a competitive environment in the economic system both on the national and global markets. Small entrepreneurship in the agrarian sphere becomes a catalyst for economic development and food security of both the state and individual countries of the world. All this requires the state to create a more favorable environment for the functioning of small businesses in the agrarian sphere through the creation of an appropriate regulatory and legal framework, financial and investment policy, information and technical support and facilitation of logistics for the sale of grown products.

The rules of accounting by business entities are defined for each farm individually. Continuous registration of the facts of economic activity in the appropriate forms of primary documents in compliance with the requirements of the rules on documentary support of records in accounting is mandatory. For micro-enterprises, it is allowed to use a simplified accounting system without the use of double entry, however, with proper chronological and systematic display of business operations in recommended registers, books, and journals.

The conducted research gives an opportunity to express the opinion that the taxation system is an important factor influencing the construction of accounting in small enterprises of the agrarian sector. At the same time, the choice of accounting form depends on the size of the enterprise and the group of single tax payers.

Today's realities affect the activities of business entities and are associated with a decrease in profits, a decrease in employees, business closures and, as a result, changes in the business management system. The owners and managers of the agrarian sector have taken a course to optimize and reduce costs, which also affects the review of the activities of enterprises. Scientific research singles out one of the modern management tools – outsourcing, which gives the company

the opportunity to strengthen its competitive advantages on the market based on increasing the efficiency of business processes. Outsourcing has not yet become widespread in Ukraine. One of the main obstacles to the active implementation of accounting outsourcing at Ukrainian enterprises is the lack of definition of outsourcing processes and their legal regulation, control and responsibility for violations. Accounting outsourcing is gaining relevance, as evidenced by the field of services provided by outsourcing companies.

It is believed that the decision to switch to outsourcing should be preceded by a thorough justification of its expediency. However, small business entities in the field of agricultural production are interested in hiring a highly qualified specialist who has experience in the field of accounting, taxation, and control. Accounting outsourcing for a farmer who is “small” and inexperienced in the accounting process is necessary for building a high-quality accounting system, forming reliable indicators of financial reporting and finding optimal taxation regimes. With the help of modern technologies and the Internet, it is possible to receive outsourcing services.

In the context of the European integration vector, the issues of improving the domestic model of small business development, accounting and taxation systems should be considered taking into account the national interests of economic development. The fiscal orientation of accounting should be reoriented to the needs of the management system and quality information support of various user groups, including foreign investors. Legislation on accounting and taxation systems, opening and registration of small and micro enterprises needs to be changed. State support for the development of small business should be aimed at creating favorable tax conditions and a clear accounting system. To do this, it is necessary to: provide information and financial support for the process of business organization and the transition to international accounting standards; to organize a system of training of entrepreneurs and retraining of accountants; streamline mechanisms for protecting the rights of small businesses. The state will be able to receive significant benefits from the implementation of these measures in the form of improving the system of tax administration, increasing tax revenues, reducing “shadow transactions” and “tax carousels”.



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