



**SCIENTIFIC, METHODOLOGICAL AND PRACTICAL ASPECTS OF  
ACCOUNTING, FINANCIAL, INFORMATION, LANGUAGE AND  
COMMUNICATIONAL SUPPORT FOR SUSTAINABLE DEVELOPMENT  
OF AGRARIAN SECTOR**

**COLLECTIVE MONOGRAPH**

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The monograph investigates the scientific problems of building accounting and financial support for the sustainable development of the agrarian sector. Modern information systems and technologies in accounting, auditing and taxation are considered. Modern learning technologies in higher education institutions are presented.

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The publication is aimed at professionals engaged in practical activities in the field of regional policy, academics, government officials and the general public.

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## ***PREFACE***

Modern economic development of agricultural entities is influenced by a variety of factors, covering a wide range of economic areas, including, inter alia, the organization of accounting, auditing and control in the system of economic sustainability of agricultural enterprises, their informatization, institutional support and strategy of financing the development of the agricultural sector of Ukraine, innovation and investment activities of enterprises.

The agricultural sector of the economy, as part of the national economy, cannot ensure the appropriate level of investment attractiveness of economic entities and rural areas, further innovation and competitiveness of national agricultural production in the world economic system without proper informational presentation of all competitive advantages, features and trends, risks and problems. The quality of information services of managers of different levels, and hence the effectiveness of the functioning of economic entities in general, depends on the coherence and organization of accounting and analytical, financial support.

The materials of the monograph are aimed at scientific research, generalization and development of recommendations on possible ways to solve the main problems of accounting, financial, information and language and communication support for sustainable development of agribusiness entities and rural areas.

Realizing that not all aspects of the research topic have been comprehensively reflected in the collective monograph, and some provisions and conclusions may be the subject of scientific discussion, we hope that the theoretical generalizations, conclusions and recommendations developed in this study will be used by scientists, teachers, graduate students and students of higher educational institutions of agrarian and administrative profiles, employees of public administration and local self-government bodies, entrepreneurs and other interested persons who are interested in this issue.

We express our deep gratitude to the reviewers of the collective monograph:

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# ***SECTION 1. DEVELOPMENT OF THE THEORY AND PRACTICE OF ACCOUNTING AND PUBLIC REPORTING: MODERN CHALLENGES***

## **1.1. ACCOUNTING AND ANALYTICAL ASPECT OF THE IMPLEMENTATION PROCESS IN MODERN CONDITIONS**

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**Summary.** In the current conditions of reforming the Ukrainian economy, agriculture is one of the priority sectors of the national economy. Favorable natural conditions of most of Ukraine's territory for successful cultivation of fruit and berry crops, combined with the centuries-old traditions of its population, allow horticulture to take a prominent place in the development strategy of domestic agricultural production. Modern market transformations in the country's economy set new requirements for the quality of accounting and analytical information, which is the basis for making the necessary management decisions in restructured agricultural enterprises of various organizational and legal forms of management. Their management needs reliable and complete information about the company's performance and financial condition.

The most important stage of an enterprise's economic activity, which completes the process of capital turnover, is the sale of finished products, goods, works and services. As a result of this process, the social usefulness of the manufactured product, its compliance with the requirements of the buyer, customer or market is revealed; by comparing the company's income and expenses, the financial result is calculated. Sales of products, goods, works, and services are the most important source of income not only for the company, but also form the revenue side of the state budget as an object of taxation. In this regard, accounting for sales of products and services requires proper organization. After all, the quality of accounting determines the correct determination of the financial result of an enterprise.

**Keywords:** sales process, sales revenue, cost of sales, buyers and customers, gross profit.

Most of the conducted studies have a traditional approach to the problems of

accounting for implementation and financial results. At the same time, a more in-depth approach is needed to reveal the organization of accounting for the sale of finished products and to determine the financial result from its sale in accordance with the industry direction of the enterprise. Some provisions of accounting require transformation taking into account modern achievements in international accounting policy. In this regard, the task arises to rethink approaches to implementation problems, to critically evaluate the current accounting of the process of implementation of finished products and the procedure for determining financial results at enterprises, to bring accounting information into compliance with the requirements of the market economy and international accounting standards.

The financier's dictionary-handbook states that realization is an economic operation of a subject of entrepreneurial activity, which involves the transfer of ownership rights to individual objects (products, works, services, fixed assets, commodity values, shares, etc., as well as an enterprise with as a whole) to another subject of entrepreneurial activity in exchange for an equivalent amount of funds or debt obligations.

It should be noted that modern market relations pose new tasks for solving the problems of accounting for sales of goods, while existing studies are based on the classical approach, that some aspects of accounting for sales of goods in the enterprise management system require deeper research. Thus, the problems of proper analytical support for management decision-making in order to increase their validity and efficiency remain unresolved.

The problem of providing management solutions to solve economic problems is determined by the current state of the national economy. The ability to use accounting information by business entities to meet various information needs and make economic decisions in order to solve specific problems and achieve set goals is ensured by the qualitative properties of the accounting information itself. Taking into account international experience, theoretical principles, standards of accounting and financial reporting, not only general groups of users of accounting information are distinguished, but also groups of specific economic problems and options for optimal decisions that they can make on the basis of this accounting information.

In the market economy, the implementation process is extremely important, since all attention is focused directly on the needs of consumers. The issues of supply and organization of production today are in the second place, the main issues are

what to produce and to whom to sell, as well as how the company should build its price policy on the market in order to achieve maximum economic efficiency. Since all aspects of the enterprise's economic activity are reflected in the accounting, the company's management receives feedback on the effectiveness of the decisions made, again within the framework of the accounting system and, in particular, the accounting of the implementation process.

Based on this, the tasks of accounting for the implementation process are:

- determination of the quantity and cost of shipped products (at accounting prices);
- determination of the customers' indebtedness to the company for products shipped to them, works performed and services provided in accordance with contracts (at sales prices);
- observance of deadlines for deliveries of finished products, performance of works and provision of services, as well as deadlines for payment by consumers;
- accounting of expenses related to sales (realization, sale) of products, goods, works and services, as well as their promotion on the consumer market (marketing and advertising expenses);
- determination of the financial result (profit or loss) from the sale of products, works performed and services provided by the enterprise both as a whole and in terms of specific nomenclature groups of goods, etc.

It should be noted that the determination of the received profit or loss is carried out in stages.

First, by subtracting the amount of value added tax from the income (revenue) from the sale of products (goods, works, services), the net income (revenue) from the sale of products (goods, works, services) is determined.

Secondly, by subtracting from net income (revenue) the cost of goods sold, as well as sales expenses, we determine the taxable profit.

Thirdly, the amount of income tax to be transferred to the budget is determined. Income tax is equal to the product of taxable income times the income tax rate.

Fourth, by subtracting the tax that is to be transferred to the budget from the taxable profit, we determine the net profit.

According to international accounting standards, enterprises independently determine the moment of realization and accordingly choose the method of income recognition: accrual method (at the time of shipment of products) or cash method (at

the time of receipt of funds in bank accounts, cash register). According to the tax legislation of Ukraine and the rules of tax accounting, the date of increase in gross income is considered to be the date that falls on the tax period during which any of the events that occurred earlier:

- the date of crediting funds from the buyer (customer) to the taxpayer's bank account in payment for goods to be sold, when selling goods for cash - the date of their posting in the company's cash register.

- the date of shipment of goods, and for works (services) - the date of actual delivery of the results of works (services) by the taxpayer.

Realization of products (works, services) is an economic operation of a business entity, which involves the transfer of ownership of products (works, services) to another business entity in exchange for an equivalent amount of funds or debt obligations.

Realization of products is, first of all, alienation of assets belonging to the enterprise by selling them for the purpose of reproducing the used means of the enterprise and obtaining profit to meet the various needs of the enterprise and its owners.

The place and role of the implementation process in social reproduction is determined by the relevant economic mechanism, which establishes the terms of implementation and terms of payments for the sold products, often regulates prices. The definition of the concept and the moment of implementation is reflected in the legislative acts regulating the payment of taxes.

The concept of «sale», which is defined in detail in the Tax Code of Ukraine, has a characteristic fiscal direction, primarily due to the inclusion in the sale of operations on the free transfer of assets.

A positive point of the tax reform was the introduction of a single procedure for determining the sold products as the value of shipped products and the date of sale as the date of shipment, which made it possible to achieve compliance with international approaches to the concept of «sale». Implementation is a dynamic system that is constantly developing and its development depends on the improvement of accounting methodology, techniques and techniques, because the correct definition of indirect taxes, timely display of expenses and income and financial results depends on the level of organization of accounting in this area.

The product sales process can be divided into four periods (Figure 1).

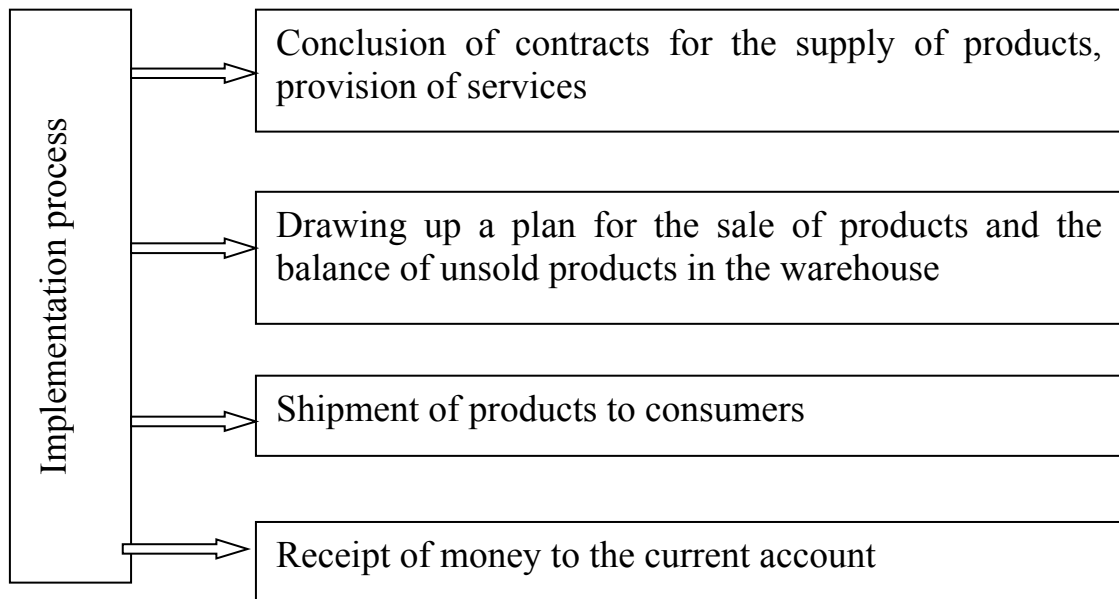


Figure 1. Periods of the implementation process

The movement of goods and funds creates the basis of economic relations between suppliers, intermediaries and buyers. For product manufacturers, the realization of products proves that in terms of consumer properties, quality, assortment and price, it meets consumer demand and consumer needs. Realization is an important generalizing indicator that characterizes the scope of business entities' activities and serves as the main type of income of enterprises obtained from the results of realization.

The main factors affecting the implementation process include:

- established product delivery terms;
- increase in output due to growth and improvement in the use of production capacities and fixed assets;
- labor productivity;
- commissioning of new facilities and equipment;
- ensuring uniform loading of production divisions;
- increase in serial production;
- number of working days in each quarter;
- seasonality and variability of work;
- seasonality of product sales;
- the possibility of disposal of fixed assets, as well as the stopping of individual production processes for various production-technical or organizational reasons;
- cessation of production of unprofitable products.

Relationships between sellers (suppliers) and buyers (customers) are built on the



basis of business contracts for the purchase and sale of products (goods) and other contracts for the performance of work, provision of services, which reflect the obligations of the buyer (customer) to pay for the products shipped to him, performed works, provided services, at the contractual cost.

The contract is considered concluded if the parties have reached an agreement on all essential conditions in the manner and form prescribed by law. The essential terms that the parties must agree to include: the subject of the contract, the price, and the term of the contract, as these terms of the contract are necessary in the event of the occurrence and consideration of disputes in the claim-lawsuit procedure. Buyers and suppliers, in accordance with the contract of purchase and sale and other contracts, can make calculations by means of advance payment for the products to be purchased, works to be performed, and services to be provided.

The main indicator that characterizes the process of production (works, services) is revenue, which is formed under the influence of two factors:

- a) quantity, range and quality of products (works, services) to be sold;
- b) the level of selling prices for goods (works, services) of the economic entity and the level of prices for factors of production (natural resources, labor and capital) used by the enterprise.

The volume of production of commodity products has a direct impact on revenue from the sale of products (works, services). An increase in the volume of production of commercial products and an increase in their quality, which meets consumer demand, contributes to the growth of revenue, since such products are sold at higher prices.

An important factor influencing the amount of revenue from the sale of products (works, services) is the price. A higher level of prices at which products are sold (all other things being equal) contributes to an increase in revenue, and, conversely, lower prices, all other things being equal, reduce the amount of revenue from the sale of products (works, services).

Prices that meet the following criteria are considered economically justified:

- a) contribute to the realization of the planned volume of goods (works, services) within the specified period;
- b) ensure the profit provided for by the enterprise's pricing policy. The implementation of the requirements for establishing an economically justified level of prices for goods (works, services) ensures the timeliness of the sale of products with

the planned profit and contributes to the performance by finance of its functions and, first of all, the function of providing financial resources for the financial and economic activities of enterprises.

Provisions (standard) of accounting 15 «Income» contains the procedure for determining, evaluating and disclosing in financial statements the income that arises as a result of the sale or use of the company's assets by other business entities. This standard actually defines the period of reflection in reporting, and therefore in financial accounting, of sales revenue in all its aspects [2].

Valuation of finished products upon their sale depends on the enterprise's accounting policy, in terms of inventory valuation upon disposal. At the same time, the methods provided for in Provisions (standard) of accounting 9 «Inventories» can be applied.

When displaying the sale of products in accounting, two of its estimates are noted: the estimate adopted by the enterprise in accordance with the accounting policy is the original value, and the estimate determined by agreement of the parties.

In the calculations of buyers (customers) for the received products, goods (works, services), unforeseen circumstances may arise that prevent the timely fulfillment of obligations under the agreement or their non-fulfillment at all. Such circumstances can be:

- temporary financial insolvency of the enterprise;
- bankruptcy of the enterprise;
- force majeure circumstances.

When selling their products, seller enterprises enter into mutual relations with legal and natural persons - buyers and customers, and therefore - make settlements with them in a certain order.

The conducted study of the state of accounting of the implementation process at enterprises showed that the accounting of sales operations with the possibility of analytical and synthetic detailing for the rational organization of control and making reasonable management decisions needs to be streamlined. Detailing of accounts should be carried out, reflecting as much as possible the information system of product sales management. Since the company independently makes decisions regarding analytical accounting and opening third- and lower-level accounts, for the purpose of detailing the information, it is appropriate to enter third-level accounts to account 701 «Income from the sale of finished products».

Since the purpose of accounting for product sales operations is to provide users with information about the company's performance for decision-making, account detailing should be carried out, reflecting the sales management information system as much as possible.

The current method of accounting for product sales operations does not provide for the possibility of a holistic display of this process, and the problem of analytical detailing of sales indicators remains relevant. Analytical accounting of product sales operations in the management system should ensure the display of information on received income, incurred expenses and financial results for each type of sold product. Since in the current conditions the enterprise independently determines the assortment, marketing and price policy, analytical accounts must be opened depending on the information needs for decision-making.

Accounting of income and expenses in market conditions acquires strategic importance for the enterprise. Today, at every enterprise, the first place is given to the result of its activity - profit or loss. It is possible to reliably assess the result of the company's activity only on the basis of accounting data. It is from the completeness and reliability of the information received by the management that the adequacy of the decisions made by it in a particular situation depends. That is why the management of enterprises puts forward strict demands regarding the quality of the organization and keeping records of financial results. Both domestic and foreign accounting scientists, as well as practitioners, paid sufficient attention to the issues of accounting of the company's income and expenses. However, these questions are so broad that they were and remain relevant for many scientific searches.

Accounting of income and expenses of the enterprise is constantly developing and improving in connection with the improvement of computer technology and communication environment, methodology and organization of accounting as the main source of information about the expenses and income of the enterprise.

The main problem of accounting of income and expenses of the enterprise in Ukraine is the problem of completeness and timeliness of their reflection in the accounting system. This problem is quite multifaceted, extremely complex and concerns our entire social system, especially the system of government, the taxation system and the shadow segment of the economy.

Disclosure of the concept of income, methods of its assessment and criteria of certainty is a fundamental problem of modern accounting theory. Similar to profit,

income is a dynamic process of creation of goods and services by an enterprise over a certain period of time.

Sometimes revenue is still defined as the product of the activity, but with the caveat that the product must leave the enterprise before it can be recognized as revenue. For example, the American Accounting Association defined revenue in the standard as follows: «Revenue is a monetary expression of the totality of products or services provided by an enterprise to its customers during a certain period of time».

Another approach to determining the essence of income is used by the FASB (Financial Accounting Standards Board): «Income is the receipt of assets of an economic entity or the repayment of its payables (or a combination of both) as a result of the supply or production of goods, rendering of services or other operations that is his main activity». But, according to critics, in the last definition there is a mixed assessment and linking of income to the process of its formation. And although this approach is consistent with traditional accounting practice, it requires a careful distinction between the types of asset receipts into those that really cause income and those that do not increase them, since a change in assets or payables does not always indicate the occurrence of income.

The term «income» as an accounting category, despite the existence of its numerical interpretations, is constantly in the field of view of global accounting practice. This is evidenced by the fact of clarification of the international accounting standard 18 «Revenue», which came into force on January 1, 1995. In this standard, income is defined as the gross receipt of economic benefits during a certain period, which arises in the course of the normal activity of the enterprise, when the equity capital of the enterprise grows due to this income, and not as a result of the contributions of capital participants.

In Ukraine, according to Art. 5 Provisions (standard) of accounting 15 «Income», income is determined during an increase in an asset or a decrease in liabilities that cause an increase in equity (with the exception of capital due to the contributions of the founders of the enterprise), provided that the assessment of income can be reliably determined [2]. Clause 8 of Provisions (standard) of accounting «Income» states that income (revenue) from the sale of products (goods, other assets) is recognized in accounting under the following conditions:

- risks and benefits related to ownership of products (goods, other asset) transferred to the buyer;

- the enterprise does not continue to manage and control the products sold (goods, other assets);
- the amount of income (revenue) can be reliably determined;
- there is certainty that the transaction will result in an increase in the company's economic benefits, and the costs associated with this transaction can be reliably determined.

We believe that there are many inaccuracies and inaccuracies in the stated principles of income recognition. First, during the transfer of risks and benefits associated with the transfer of ownership rights to the buyer, the seller of products (goods, other assets) cannot determine the degree of risk and benefits of the buyer of these products, since he does not know the purpose of this purchase. In addition, the exercise of property rights, according to Art. 319 of the Civil Code of Ukraine, consists in the possession, use, disposal of the property by the owner at his own discretion. Therefore, in the future, the management and control of the sold products by the selling company cannot logically be considered as the already completed transfer of ownership rights to these products. Secondly, there is no certainty that the transaction will result in an increase in economic benefits. According to Art. 1 of the Law «On Accounting and Financial Reporting of Ukraine», economic benefit is defined as the potential opportunity for an enterprise to receive funds from the use of assets, which completely excludes the recognition of income during the implementation of barter contracts.

Recognition of income from the provision of services in accounting takes place in accordance with Art. 10 5 Provisions (standard) of accounting 15 «Income» provided the following circumstances exist:

- the possibility of reliable assessment of income;
- probabilities of receipt of economic benefits from the provision of services;
- the ability to reliably assess the degree of completion of service provision as of the balance sheet date;
- the possibility of a reliable assessment of the costs incurred for the provision of services and necessary for their completion [2].

We believe that for the recognition of income from the provision of services, there is no condition for the transfer of ownership rights, namely that the provided service is accepted by the customer. The conditions for recognizing income (revenue) from the sale of products (goods, works, services) in accounting should be as follows:

- the amount of income must be reliably determined, and the enterprise has the right to receive this income in accordance with a specific contract or confirmed in another way;

- there is confidence that as a result of a specific transaction, the company's economic benefits will increase (confidence is ensured also in the case when the company receives payment in the form of an asset or there is no uncertainty in receiving the asset);

- the right of ownership (possession, use, disposal) of the products (goods) has passed from the enterprise to the buyer or the work has been accepted by the customer (the service has been provided);

- costs can be reliably determined in connection with this operation.

All the criteria listed above are valid only for sales income. The moment of recognition is the main issue in revenue accounting. Fines, penalties, penalties for breach of contract, as well as compensation for losses caused to the enterprise are recognized in the accounting period in which the court issued a decision on their collection, or the relevant business entity is recognized as a debtor. Accounts payable amounts are recognized as income of the reporting period in which the statute of limitations has expired.

It should be noted that the income of an income tax payer is divided into two main groups:

- the first group is income from operating activities;

- the second group is other income.

Income from operating activities consists, first of all, of income from the sale of goods, works performed, and services provided. Other income includes income in the form of dividends received from non-residents, from rental/leasing operations, operations in foreign currency, amounts of fines, non-refundable financial assistance, income from the sale of non-current assets, etc., which are detailed in Art. 135 of the Tax Code.

The formation of income from the operating activities of the income tax payer is carried out according to the following principles:

- the first principle - income does not include amounts of preliminary (advance) payment for goods, works, services received from buyers and customers. These amounts are included in the composition of income when selling relevant goods to buyers, when providing relevant services and works to customers on an accrual basis;

- the second principle – the income of the income tax payer must be documented;

- the third principle - the income of an income tax payer cannot be included in the income structure twice.

Income from operating activities is recognized in the amount of the contractual (contract) value, but not less than the amount of compensation received in any form, including when liabilities are reduced.

The date of receipt of income from operating activities is the reporting tax period in which such income was generated. Income from the sale of goods is recognized on the date of transfer of ownership of such goods to the buyer. Realization of property rights, in accordance with Art. 319 of the Civil Code of Ukraine №. 980-IV of June 19, 1993, consists in the possession, use, disposal of the property by the owner at his own discretion. The recognition of income from the provision of services and the performance of works is carried out only on the date of drawing up the act or other document that confirms that the work has been accepted by the customer (the service has been provided).

Income from operational activity is formed on the basis of data from the analytical accounting of income (sub-accounts 701 «Income from the sale of finished products», 702 «Income from the sale of goods», 703 «Income from the sale of works and services» in correspondence with sub-account 791 «Result of operating activities»).

The income tax payer must adjust the amount of income in connection with changes in the amount of compensation for the cost after the sale of goods (performance of works, provision of services), including when returning the sold goods. Adjustment of income from operating activities is carried out on the basis of credit turnover data of sub-account 704 «Deduction of income» in the correspondence of sub-account 791 «Result of operating activities». In addition, this record reflects the receipt of revenue for sold property on the basis of commission contracts, consignment and other similar civil law contracts that do not provide for the transfer of ownership rights to such property and are not considered income of the taxpayer.

The formation of the indicator «Other income» is carried out on the basis of data from the analytical accounting of income - subaccounts 71 «Other operating income», 72 «Income from participation in capital», 73 «Other financial income», 74

«Other income». Other income includes income received in the form of dividends, interest, royalties, ownership of debt claims received from non-residents.

The procedure for determining income from operations on the sale of securities, derivatives and corporate rights other than securities is defined in paragraphs 153.8 of the Tax Code. Enterprises determine the financial result of each type of securities, stock and commodity derivatives. The positive value is calculated as the difference between the income from the sale and the costs of acquiring each of the individual types of securities and derivatives (earned profit) and is included in the income. The amount of fines and penalties or fines, actually received by the decision of the parties to the contract or relevant state bodies, the court, is also reflected in the other income of the taxpayer. Income from fines, penalties, penalties, accrued by the decision of the parties or relevant state bodies, the court, is recognized on the date of their actual receipt. In this case, the cash method of calculating income is used, according to which the accounting of income is carried out at the time of their receipt (payment), and not at the time of their occurrence, which in turn leads to the emergence of a temporary tax difference. The formation of this indicator is carried out on the basis of the debit turnover data of sub-accounts 715 «Received fines, penalties, non-penalties», 716 «Reimbursement of previously written-off assets» in the correspondence of sub-account 791 «Result of operating activities».

When determining the object of taxation, there is a special procedure for determining other income and other expenses when receiving returnable financial assistance from certain categories of persons who provided this assistance. When receiving non-refundable financial assistance and free goods, works, services, other income is recognized on the date of their actual receipt. In accordance with the requirements of paragraphs 4.1.263 of the Tax Code, irrevocable financial assistance should be understood as the amount of funds transferred to the taxpayer in accordance with donation agreements, other similar agreements or without concluding such agreements; the amount of bad debt reimbursed to the creditor by the borrower after writing off such bad debt; the amount owed by one taxpayer to another taxpayer that has not been collected after the expiration of the statute of limitations; the principal amount of a loan or deposit granted to a taxpayer without establishing the terms of return of such principal amount, with the exception of loans granted under perpetual bonds and demand deposits in banking institutions, as well as the amount of interest accrued on such principal amount, but not paid (written off); the



amount of interest conditionally accrued on the amount of repayable financial aid that remains unreturned at the end of the reporting period, in the amount of the discount rate of the National Bank of Ukraine, calculated for each day of actual use of such repayable financial aid.

When receiving repayable financial aid, the formation of other income depends on the state of debt repayment. Refundable financial assistance should be understood as the amount of funds received by the taxpayer for use in accordance with the agreement, which do not include the charging of interest or the provision of other types of compensation as fees for the use of such funds, and which are mandatory until they are returned.

Refundable financial assistance received by the taxpayer in the reporting tax period and left unreturned at the end of such reporting period, from persons who are not payers of this tax, or persons who according to the law have benefits from this tax, including the right to apply rates taxes lower than those established are included in other income. When receiving the amount of returnable financial assistance from the founders, income is not generated only if this assistance is returned no later than 365 calendar days from the day of its receipt.

This norm does not generally apply to financial aid transactions between the taxpayer and its separate divisions that do not have the status of a legal entity, that is, these transactions do not lead to changes in the taxpayer's income or expenses. The taxpayer increases income by the amount of payables on account 685 «Settlement with other creditors», which is calculated according to accounting data at the end of the reporting period. The Financial Accounting Standards Board uses the following approach to determine the essence of expenses: «Expenses are the disposal or other use of assets or the formation of payables (or a combination of both) as a result of the delivery or production of goods, the provision of services or the performance of other types of activities that constitute the main activity of the enterprise».

According to critics, this definition confuses the action of expenses with actual expenses and it remains unclear which disposal should be taken into account, since there are many types of disposal of assets that are related to the main activity of the enterprise, but which have nothing to do with expenses.

We believe that issues related to the concept of «costs» are directly related to the concept of profit. Expenses are one of the main elements of financial and tax reporting, and their determination is an important factor influencing the formation of

reliable financial results.

As for the interpretation of this concept in our country, according to Art. 6 Provisions (standard) of accounting 16 «Expenses», the expenses of the reporting period are either a decrease in assets or an increase in liabilities, which leads to a decrease in the company's equity (with the exception of a decrease in capital due to its withdrawal or distribution by the owners), provided that these costs can be reliably estimated [3].

Clause 7 of Provisions (standard) of accounting 16 «Expenses» states that the costs of a certain period are determined simultaneously with the recognition of the income for which they were incurred. Expenses that cannot be directly related to the income of a certain period are reflected as part of the expenses of the reporting period in which they were incurred.

It should be emphasized that according to Provisions (standard) of accounting 16 «Costs», the cost of sold products (goods, works, services) does not include administrative, sales and other operating expenses, that is, an incomplete cost is formed in accounting. Questions regarding the determination of the cost price remain unresolved and are of a debatable nature. There is an opinion that accounting for costs based on incomplete cost leads to its distortion, and this can significantly complicate pricing, which points to incomplete cost as an inadequate concept in the economic sense. At any enterprise, solving this issue is important, because the price of goods (works, services) is formed on the basis of aggregate costs, and not «production (incomplete)» cost.

The Regulation on State Regulation of Prices (Tariffs) for Industrial and Technical Products, Consumer Goods, Works and Services of Monopoly Enterprises stipulates the obligation to provide the relevant authorities with data on the planned price level, the actual cost of products with a breakdown of material and labor costs, production volumes, the planned and achieved amount of profits from the sale of products, as well as the amount of profits, profitability as a whole for the enterprise, an explanatory note. Therefore, for enterprises, the problem of reliable formation of relevant information, in particular, the cost price, remains relevant and requires further research.

The income tax payer's expenses are divided into two main groups:

- expenses from operational activities;
- Other expenses.

The costs of operational activity consist, first of all, of the cost price of sold goods, performed works, provided services, taking into account the costs for which a special formation procedure has been established.

Costs from operational activities are formed on the basis of data of analytical cost accounting (subaccounts 901 «Cost of sold finished products», 902 «Cost of sold goods», 903 «Cost of sold works and service», 91 «General production costs» in correspondence with subaccount 791 «Result of operating activities»).

The formation of the costs of the operating activities of the income tax payer is carried out according to the following principles:

- the first principle - expenses include expenses confirmed by primary documents, including those made by non-residents according to the rules of other countries. If in previous tax periods certain expenses were not included in the composition of expenses due to the lack of documentary confirmation or assumed errors, and in the current period documents were restored or errors were discovered, the corresponding expenses are included in the expenses of the reporting period. If these are the expenses of the past reporting years, they are included in other expenses, and if the expenses of the current year are identified or confirmed, they are included in the expenses of the corresponding group (administrative, other operating expenses, etc.);

- the second principle – the costs forming the cost of sold goods, services performed, and works provided correspond to the recognized income from the sale of goods (works, services);

- the third principle – any expenses of the income tax payer cannot be included in the expenses twice [3].

The cost of purchased and sold goods is formed according to their purchase price, taking into account import duty and delivery costs and the costs of bringing them to a condition suitable for sale. The cost of manufactured and sold goods, works performed, and services provided consists of direct costs related to production, namely: direct material costs, direct labor costs, depreciation of production fixed assets and intangible assets, general production costs, cost of purchased services, directly related to production, other direct costs (including electrical energy (including reactive)).

Direct costs are recorded on accounting account 23 «Production», which determines the cost of manufactured goods. The unit cost of goods sold corresponds

to the unit cost of manufactured goods, and the total value of the cost of goods sold is determined based on the volume of sales.

General production costs include costs related to the management and maintenance of shops, divisions, and linear units at enterprises that have a division into shops and divisions. These include labor costs and contributions to social measures from the wages of the management apparatus of workshops (sites), for heating, lighting, water supply of premises of workshops (sites), depreciation of non-current assets of general production purpose.

The list of general production costs corresponds to the costs recorded in account 91 «General production costs» in accounting. Since expenses for the purpose of calculating taxable profit are determined according to accounting rules, the total amount of general production expenses will not be included in the expenses of the reporting period, but only permanent undistributed expenses, which are directly debited to account 90 «Cost of sales», and part of variable and permanent distributed expenses (debited to account 23 «Production») that correspond to the cost of the products sold (goods, works, services).

Other expenses include administrative expenses, selling expenses, other operating expenses, financial expenses, other expenses of ordinary activities. Administrative expenses include general economic expenses incurred for the management and maintenance of the enterprise: expenses for labor and business trips of administrative personnel, maintenance of non-current assets of general economic purpose, all expenses of the enterprise for communication services, auditing, legal and other professional services, to pay for banking services. The list of administrative expenses corresponds to expenses that are recorded in account 92 «Administrative expenses» in accounting, excluding expenses for taxes and fees.

Sales expenses include expenses related to the sale of goods (works, services), the list of which corresponds to item 19 of Provisions (standard) of accounting<sup>16</sup> «Expenses» and which are recorded on accounting account 93 «Sales expenses», including in trade organizations.

The composition of other operating expenses is significantly different from their list in accounting, that is, only a part of those expenses that are recorded on accounting account 94 «Other operating expenses» is included in the expenses for the purpose of determining the object of taxation.

First, other operating expenses include expenses for operations in foreign

currency, losses from exchange rate differences. The formation of costs is carried out in the amount of the received loss, which is the negative difference between the income from the sale and the book value of such currency or metals.

Secondly, other operating expenses include depreciation of non-current assets provided for operational lease.

Thirdly, this group of expenses includes other operational expenses related to economic activity, namely: expenses for the formation of insurance reserves by banks and non-banking financial institutions; amounts of accrued taxes and fees, for producers of agricultural products - payment for land that is not used in agricultural production turnover, amounts of a single contribution to mandatory state social insurance, reimbursement to the Pension Fund for the costs of paying and delivering pensions, with the exception of income tax, tax on value added, personal income tax, trade patents and penalties, fines, penalties; expenses for information support (literature, periodicals, Internet services).

Financial expenses include interest for using short-term and long-term bank loans, bank overdraft; interest on bonds issued, issued by promissory notes; discount on bonds, amortization of other discounts related to loans; interest for financial lease of assets. These expenses are recognized as expenses of the reporting period, with the exception of that part of financial expenses, which is capitalized and included in the value of such a qualifying asset in accordance with Provisions (standard) of accounting 31 «Financial expenses». Financial expenses, in addition to capitalized ones, are recorded in accounting on account 95 «Financial expenses».

Other expenses do not correspond to accounting expenses, i.e. item 29 of Provisions (standard) of accounting 16. Other expenses include various charitable contributions and payments with certain restrictions on their amount; costs of creating a reserve of doubtful debts for banking and non-banking financial institutions; the cost of coal and coal briquettes provided free of charge according to the list of professions established by the Cabinet of Ministers of Ukraine; expenses for environmental protection measures; expenses for the purchase of licenses and other special permits for a period of up to one year.

Thus, with the help of the conducted research on the regulatory regulation of the accounting categories «income» and «expenses» based on the analysis of current international and national accounting standards, the impracticality of interpreting the conditions of recognition of these categories was established. The position regarding

the implementation of the methodology for estimating income and expenses for the purpose of determining the object of income tax taxation, the criteria for their determination based on the principles of determination in international and national accounting regulations (standards) is substantiated.

The implementation process documentation system includes the following stages: documentation of the implementation permit; documenting the transfer of products and services to the customer; documentation of transfer acceptance; documentation of settlements with the customer; documentation of calculation of tax liabilities from value added tax.

Let's consider the procedure for drawing up and using documents for the registration of the process of selling goods.

When selling your products, you must first of all conclude an agreement with the buyer.

According to Art.265 of the Economic Code of Ukraine, under the supply contract, one party - the supplier undertakes to transfer (deliver) the goods (goods) to the second party - the buyer, within the stipulated time (terms), and the buyer undertakes to accept the specified goods (goods) and pay a certain amount of money for them amount This definition is clarified by the definition of Art. 712 of the Civil Code of Ukraine, which directly grants the supplier the status of a subject of entrepreneurial activity and emphasizes the use of the supplied goods in entrepreneurial activity or for other purposes not related to personal, family, home or other similar use by the buyer.

The supply contract is a type of sales contract, according to which the general provisions on the sale and purchase are applied to the supply contract. The supply contract has the same economic nature as the sales contract (paid transfer of goods from one subject to another).

The supply contract is characterized by the following features:

- special subject composition: the parties to the contract are only business entities registered as such in accordance with the procedure established by law, one of which is obliged to deliver goods or provide services, and the other - to accept and pay for them;

- the supply contract mediates the entrepreneurial activity of both parties: the supply of goods or the provision of services and their acquisition are carried out within the scope of the economic activity of not only the seller, but also the buyer, for

whom the law establishes a requirement regarding the special purpose of use of the subject of supply;

- the delivery is carried out within the terms set by the parties, it has a typical planned nature, most often not inherent in the purchase and sale.

When concluding a contract, the parties are obliged to agree on the subject (name, including the nomenclature and assortment, quantity and quality requirements of the goods), the price and the term of the contract (the time during which the obligations of the parties arising on the basis of the contract exist).

The total quantity of goods by assortment, assortment, nomenclature is determined in a special document - specification by agreement of the parties, which is agreed by the parties by establishing in the contract. The quality of the goods must be certified by the appropriate accompanying document and must comply with the terms of the contract, quality requirements, stipulated standards, technical conditions, other technical documentation and legislation, and in case of agreement between the parties, the sample or description, respectively, the sample or description.

The contract price consists of the total price of products to be delivered on the basis of this contract. If the prices of the goods that are the subject of delivery are not subject to state regulation, then the price of the contract is set by agreement of the parties. If it is not possible to set the price when concluding the contract, you can refer to the documents that will be added to the contract as an integral part of the contract upon delivery of each batch of goods parts and each time will fix the price of the goods (for example, the amounts specified in the invoices, which formalize the receipt and delivery of the goods delivered on the basis of the contract).

The delivery contract is concluded for the term established by the agreement of the parties.

The customer receives the products grown for him on the basis of a power of attorney. A power of attorney to receive valuables is issued only to persons who work at this enterprise, to others - with the permission of the head of the enterprise.

The power of attorney, regardless of its validity period, remains with the seller upon the first sale of valuables. In the case of the sale of valuables in parts, for each partial sale, an invoice (deed of acceptance-handover or other similar document) is drawn up with the power of attorney number and the date of its issuance. In these cases, one copy of the invoice (or a document that replaces it) is given to the recipient of valuables, and the second is added to the power of attorney left with the supplier

and is used to monitor and control the release of valuables according to the power of attorney, as well as for settlements with the recipient.

Between the two parties: the «Customer» and the «Executor», at the time of delivery of the completed works or services, a special document called the act of delivery-acceptance is drawn up, which displays all the work performed and the services provided, indicating the cost and terms of performance. With the help of this act, the executor reports to the customer about the work performed.

The form of this document is made in two copies: one, after its bilateral signing, remains with the performer, the second is assigned to the customer. A unified form of the act has not been developed, the farm uses a convenient self-made form to be able to reflect all the features of the work performed and the services provided.

When drawing up the act of handing over and accepting the document, an individual number is assigned, the current date is set, the full names of the performer and the customer, their details are indicated. The following is a list of works performed by the contractor, indicating their cost. The document is signed by both parties and printed. The act of completed works also indicates the number and date of the contract on the basis of which this act is drawn up, the terms of performance of the work and the invoice for payment.

The contract for the supply of products must specify the carrier, the mode of transport and the method of sending the finished products. In this case, the warehouse selects and packs the products in accordance with the terms of the contract and issues a consignment note, which is signed by the carrier of the products.

The supplier-shipper, on the basis of freight invoices, railway receipts for acceptance of the cargo and other documents, writes settlement documents for transfer to the bank for collection or an invoice for advance payment. In the invoice for the recipient, the accounting department of the sender must indicate the fact of shipment of products and the amount that must be paid for the shipped products (taking into account the amount of value added tax). In addition, other additional conditions may be specified in the invoice.

During shipment, the warehouse workers issue a consignment note for the selected and already packed products, which is the basis for writing off the finished product by the company that shipped it, for its shipment by the buyer and for permission to take it out of the farm. The name, nomenclature number, unit of measurement, quantity, and price of each type and grade of the product to be sold are



specified in the invoice. The invoice must be signed by the buyer's representative or another authorized person. This invoice and other primary documents (railway receipts, etc.) are transferred to the company's accounting department, where, as a rule, an invoice is issued based on these documents.

If necessary (if there is a significant number of names and types of finished products to be sold), the invoice for the sale of goods and material values is drawn up as a mandatory appendix to the invoice. If the data on the finished products, which are released and transported by motor vehicle to the side, are included in the invoice, then the invoice is not drawn up.

The shipment of finished products (works, services) is registered for each invoice - invoice, and a note is made about the payment of each invoice, which makes it possible to monitor the receipt of funds in a timely manner.

Also, goods - transport invoices are used for registration of product sales. Separate forms of goods and transport invoices are used for each type of sold products.

Every month, the accounting department compiles a statement of analytical sales accounting based on primary documents. Existing at the beginning of the month balances on unpaid invoices from the information for the previous month are entered in the new information. When finished products are shipped on the basis of shipping documents, appropriate entries are made in the reporting period in the information. On the basis of bank statements and other documents, a note is made about the payment of bills indicating the date, the amount credited to the settlement account.

If the enterprise is a value added tax payer, it is obliged to provide the buyer enterprise with a tax invoice, the form and procedure for filling out which is approved by the order of the State Tax Administration of Ukraine. The tax invoice, in addition to other details, indicates the price, rate and amount of value added tax, the total amount payable to the supplier. In case of exemption from taxation of finished products in accordance with Art. 5 of the Law, the tax invoice states «Exempt from value added tax».

The main documents, on the basis of which the payment of debts by buyers are reflected in the economy, are the bank statement on the flow of funds.

Products are accounted for in the warehouse at cost price, therefore, when they are shipped, the goods document must be issued at the sales contract prices, and the goods must be written off from the report of the materially responsible person at the

accounting sales prices.

In case of sale of agricultural products for cash, the materially responsible persons of the enterprise - sellers prepare a Report on the sale of products and a Report on the movement of material values in quantitative indicators, which are transferred to the accounting department along with the primary documentation within the specified time. On the basis of these documents, synthetic and analytical accounting of product sales is carried out.

Modern market relations pose new tasks for solving the problems of accounting for the sale of works and services, while existing studies are based on the classical approach that some aspects of accounting for sales in the enterprise management system require deeper research. In order to increase the validity and effectiveness of management decision-making, proper analytical support is important.

The problem of providing management solutions to solve economic problems is determined by the current state of the national economy. The ability to use accounting information by business entities to meet various information needs and make economic decisions in order to solve specific problems and achieve set goals is ensured by the qualitative properties of the accounting information itself.

Analytical detailing of accounting information regarding the coverage of the sales process should be given more attention, as it is an objective prerequisite for further analysis, planning and control. The main drawback of the existing sales management system at the enterprise is its inefficiency.

Analytical accounting of income from sales is carried out by types of works and services, as well as in the section of each separate concluded contract for the performance of works.

In the accounting department of the business entity, on the basis of the primary documents on the implementation of works and services, it is necessary to draw up the Statement of accounting for implementation and the Register of documents on the implementation of works and services.

These documents are registers of analytical accounting, which accumulate data on the implemented works and services, as well as on settlements with buyers and customers.

Further analytical accounting is carried out in the Details of analytical accounting of the implementation of works and services. It provides for accounting in terms of each separate contract, as well as for determining the totals for the economy

as a whole. Records are kept in chronological order according to the acts of acceptance - transfer of performed works and services, goods - transport invoices, bills - invoices, payment documents. Sales costs, which are not paid by buyers, are directly applied to a certain type of sold products. However, those costs of implementation, which are reimbursed by buyers, are taken into account in separate analytical accounts. During the month, sales costs are debited to the debit of the accounts, and the amount reimbursed by procurement organizations is credited. At the end of the reporting period, the amount of unreimbursed expenses is attributed to the value of the products sold in proportion to their quantity.

It should be noted that the current practice of keeping analytical records of income and financial results of the enterprise for the sale of works and services does not satisfy the information needs of users, therefore it needs improvement. Analytical accounting should be more meaningful, sufficient and meet its main task - to provide the possibility of operational analysis of sales revenues and be a convenient and reliable basis for making effective management decisions.

Recently, accounting for sales of products and services has become more complicated. This is explained, first of all, by changes in legal and economic relations during the sale of agricultural products, the emergence of new forms of relationship between the seller and the buyer and the creation of new types of implementations due to the lack of available cash for calculations, as well as the accumulation of data in accordance with the needs of tax reporting.

All this leads to the need to revise a number of permanent ideas, tasks and requirements for accounting for implementation. If earlier everyone was interested in what was sold, at what price and what result was obtained, then in modern conditions there are additional requirements for information,

Therefore, it is necessary to create a new approach to grouping data on sales processes in order to strengthen accounting control functions. First of all, the accounting of the implementation process needs significant simplification, improvement of accounting registers and, especially, reduction and unification of primary documents.

The unified system of primary documentation is considered by its composition as a complex of interrelated forms of documents, processes and rules of documenting data and document flow, which meet the uniform rules and requirements, and by its content - as a means of implementing information processes for documented data

exchange that have regulatory and legal the basis for managing the national economy.

The creation of unified forms of documents is a complex problem based on the following principles:

- reducing the number of forms of primary documents in order to build a rational document flow and simplify their processing on a computer;

- application of uniform forms of documents at different levels of management: ministry, association;

- using the minimum amount of data that is entered to solve functional problems, as well as excluding from the documents calculation indicators that can be obtained during machine processing and data that are in the system (for example, time standards, tariff rates, salaries, etc. );

- one-time input of data to a computer and their repeated use;

- unified terminology for the entire system of primary documentation, which ensures simplicity and convenience when the user works with documents. The bill of lading - the invoice must combine the main details of the documents it replaces, namely: the name, location and bank details of the shipper and holder of the products, the basis for the release, the price, the amount to be paid.

A lot of time is spent on accounting processing of goods and transport invoices and acceptance receipts issued on the basis of them, since the typical forms of invoices have many shortcomings. In agricultural enterprises, the data on the container are given twice, the terms «released» and «accepted» are on the reverse side of the specified document, as a result of which the accountant is forced to rewrite them on the front side. It is necessary to eliminate these shortcomings in the standard forms of goods and transport invoices.

In order to strengthen the operational control of the sale of agricultural products, it is necessary to fill out both sides of the goods and transport invoices. This will allow not only to control costs, but also to conduct a timely reconciliation of the records of both departments on the volume of sold and transported products.

The accounting organization must be built in such a way that accounting and analytical information can be obtained at any time for any direction of implementation management. For the formation of a complete accounting system that would fully satisfy the needs and requirements of users for the purpose of effective implementation management, an optimal combination of the set of conditions and elements of the accounting process is necessary. The concept of an accounting system

is defined in different ways: as a set of registers that are used to record accounting operations and compile reports; in other cases, principles and methods of displaying business processes on accounting accounts are added to the accounting system.

The problems of proper analytical support for management decision-making in order to increase their validity and effectiveness remain unsolved.

For the rational construction of the accounting system, it is necessary to determine the purpose of accounting in the management of the implementation process. The purpose of keeping records of sales operations is to provide sales management with information about the received income and lost opportunities of the enterprise; formation of financial results, assessment of feasibility and effectiveness of planned measures to increase sales, ensuring the possibility of planning an increase in the amount of income from their implementation, control over operations for the sale of products and services.

The purpose of accounting determines the structure of the accounting model, which, first of all, should ensure the accumulation of information for evaluating and analyzing the effectiveness of sales operations.

To ensure the detailing of the received income in accounting, the classification of income and financial results is carried out within the system of accounting accounts by types of activities. In accordance with National regulation (standard) of accounting 1 and the Instructions on the Application of the Plan of Accounting Accounts, activity income is divided into separate types.

The conducted study of the state of accounting of the implementation process made it possible to identify problems that require a reasoned solution. Thus, the accounting of operations for the sale of products, works and services needs to be streamlined with the possibility of analytical and synthetic detailing for the rational organization of their control and the adoption of well-founded management decisions.

Detailing of accounts should be carried out, reflecting the sales management information system as much as possible. Considering sales management as a methodology of market activity, which determines the strategy and tactics of enterprises in the conditions of competition, it should be noted that the key task of the economy at the modern stage is consumer orientation. This means that any managerial decision regarding which sales methods to use, which sales activation methods to use, should be based on the analysis of operational accounting information. The company's activities require the separation of account data for

internal and external users (primarily for reporting) and the improvement of the effectiveness of implementation management. This can be achieved by improving the analytical accounting system.

When considering the features of synthetic generalization and analytical detailing of accounting data, it is worth paying attention to the fact that accounting reflects not all, but only the most significant aspects of the sales process, which are considered as separate economic categories; the number of goods sold, the cost of sales, the amount of revenue and income, operating costs and expenses, profit and loss. The rest of the concepts and categories can be attributed to accounting objects, provided they are potentially useful for consumers of accounting information.

The current method of accounting for sales of goods does not provide for the possibility of a holistic display of this process, and the problem of analytical detailing of sales indicators remains relevant. Analytical accounting of sales of goods in the management system should ensure the display of information on received income, incurred expenses and financial results for each type of sold products and services, in terms of product groups, companies and (or) suppliers, places of sale. Since in the current conditions the company independently determines the assortment, marketing and price policy, analytical accounts will be opened depending on the information needs for decision-making on the above-mentioned problems. It should be noted that the current practice of analytical detailing of accounting of income and financial results of the enterprise does not satisfy the information needs of users, therefore it needs improvement. Analytical accounting should be more meaningful, sufficient and correspond to its content - to provide the possibility of operational analysis of income received from the sale of goods and be a convenient and reliable basis for making effective decisions in sales management.

Analytical detailing of information on the sale of goods to determine financial results (income and expenses) is proposed to be carried out according to the following criteria:

- direction of information flows (external, internal);
- objects of analysis (enterprise as a whole, departments, product groups, product positions);
- time periodization (for a certain period, for the current time).

This practice will make it possible to organize an effective system of management accounting and internal reporting at the enterprise, to significantly

increase the quality level of internal control.

Analytical detailing of accounting information regarding the coverage of the sales process should be given more attention, as it is an objective prerequisite for further analysis, planning and control. The main drawback of the existing sales management system in the economy is its inefficiency. Closing of accounts, determination of circulation costs, financial result is carried out by the accounting department, as a rule, by the end of the next month. Accordingly, management of the current activities of the farm is carried out only on the basis of data on sales volumes and information on the amount of revenue received, which forces to calculate the profit intuitively [4].

Therefore, there is an objective need to increase the efficiency of accounting, taking into account non-standard situations at the enterprise, associated with campaigns aimed at increasing the level of sales, which requires the creation of new internal forms of accounting.

In order to improve the analytical accounting of product sales, we offer the enterprise to make a decoding by sales channels in the Book of analytical accounting of product sales, which is opened for each product produced at the enterprise. Such a proposed register will provide the most complete and timely information on the sale of products.

With the help of management accounting, the enterprise can conduct internal business reporting, which will ensure timely receipt of information for effective management of the enterprise. The content, forms, terms of submission of this report depend on the business conditions. We offer to prepare intra-household (management) reporting, which will contain information on the sale of products and settlements with buyers, using primary accounting. This reporting can consist of several sections, namely: production of products (provision of services), implementation of products (services) and results from their implementation, etc.

In the section on the production of products of the enterprise, separately provide information on crop production. Depending on which products are produced in the reporting year, that one should be indicated in the report, and all the others should not be written. For products, indicate the area, production of products and provide information on the application of fertilizers (plantation).

The next section can be the efficiency of production and sales of products, where sales revenue, profit or loss, and profitability of products can be indicated.

Such more detailed information will help the company's management to analyze the company's activities, detect deviations from the norm and respond in time to the decrease in the efficiency of the activity.

Scientists have developed a method of combining accounting and tax accounting of sales and profit. At the same time, billing documents, for example, an invoice, are issued for the shipped products, performed works and services, the sales value is determined and the rights of ownership, use, disposal of the products are transferred to the buyer. At the time of shipment of products for sale, they are accounted for in sales prices, including VAT and excise duty on the debit of account 36 «Accounts with buyers and customers» and the credit of account 70 «Revenue from sales». In the analytical accounting for account 70, it is proposed to record the amounts of accrued value added tax.

In order to improve accounting for product sales, we consider it necessary to distinguish between sales costs associated with bringing existing products to the consumer (containers, packaging, cargo operations, transportation, storage, maintenance costs of warehouses, stores, sales staff, etc.) and marketing costs, arising in connection with the study and stimulation of demand, the search for information about sales markets and the expansion of the manufacturer's market share.

In addition, we offer to use such forms of non-cash payments in settlements with buyers, which would guarantee timely receipt of money for products sold to buyers. The most convenient, in our opinion, is the use of advance payment for products, as well as the letter of credit form of payments. We believe that both forms of cashless payments are the safest and prevent the occurrence of bad debts.

Thus, the proposed improvements will significantly combine all information on the sale of products and services, make it coherent and enable users, in particular the head of the enterprise, to a large extent to be able to obtain complete information about the state of the sale process and settlements with buyers.

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## **1.2. THEORETICAL ASPECTS OF ACCOUNTING AND CONTROL OF INCOME, COSTS AND FINANCIAL RESULTS**

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**Summary.** Under market conditions, the activity of each enterprise is aimed at obtaining economic benefits, which are presented in the form of financial results. The essence of the financial result of the activity is interpreted as an effective indicator of the comparison of the income received and the expenses incurred, which require special analysis and study. In accounting, there are contradictions regarding the formation of financial results by types of enterprise. The overall financial result of the enterprise includes the main operating, other operating, financial and investment activities.

The dynamics of indicators of the company's financial results show its operational efficiency and future prospects. The state of indicators of income, expenses and financial results evaluates the level of business activity, as well as the level of economic security and investment attractiveness of the enterprise.

Having analyzed the opinions of economists, it can be asserted that the meaning of the concept is defined in a broad and narrower sense, where income is considered as revenue from the sale of products and has a wide meaning and influence on determining the result of the business entity's activity and the amount of equity capital.

The financial result of any activity of the enterprise is profit or loss, which is formed during the financial and economic year. In obtaining profit by source, the largest part is the sale of products (goods, works, services), where profit is defined as the difference between the income received from the sale (reduced by the amount of indirect taxes) and the incurred expenses related to production and sales. The enterprise can receive financial results from the result of investment and financial activities, as well as financial results from extraordinary events.

Financial results are formed consistently by comparing the income received and the expenses incurred in accounting. In accounting, the financial result is obtained from ordinary and extraordinary activities. An agricultural enterprise has its own peculiarities of determining the financial result, which is determined by the specifics of production and economic activity and NP(S)BO 30 "Biological assets". The analysis of regulatory legal sources allows us to note that in Ukraine there is a fairly large number of legislative acts for the accounting of income, expenses and financial results, which are represented by: laws, orders, resolutions, regulations (standards) of accounting, the code. However, taking into account the above, it can be concluded that the regulatory framework for greater compliance between accounting and tax accounting needs clarifications and solutions in order to prevent distortions and inaccuracies of accounting information.

The internal control of financial results should cover all the activities of the enterprise, every economic transaction, because everything has an impact on the final result of the enterprise. Having information about the object, tasks, sources and regulatory documents, internal control of income, expenses and financial results of activity is carried out according to directions and taking into account the methodology of control procedures.

**Keywords:** income, expenses, financial result, accounting, control, enterprise.

In the conditions of a developed economy and during fierce competition, the goal of every business entity is profit, which depends on the income received with minimal expenses incurred. Therefore, income for each enterprise, regardless of the sources from which it is obtained (of course, only the legal way is considered), acquires special importance. Obtaining income at the enterprise may depend on many factors - this includes the volume of sales of products, goods, services and the level of establishment of points of sale; leadership, perseverance and diligence of employees, as well as external factors that cannot always be influenced. The financial condition of the enterprise is also characterized by the received income.

Defining the concept of "income" is very difficult in science. Many scientists of different schools and at different times worked on its interpretation. It remains relevant even today, so we consider it to deepen the concept and clarify it.

The definition given in the regulatory sources of accounting is NP(S)BO 1 "General requirements for financial reporting" and NP(S)BO 15 "Income", where income is interpreted as: "income of assets or reduction of liabilities" [10 ,11],

according to economists, is not entirely correct. We also agree with this statement because it is not always the case that an increase in assets or a decrease in liabilities results in income. So, an example of the receipt of assets can be the fact when the company receives payment from the buyer for shipped products. An example of a reduction in liabilities is that capital growth does not occur when the latter are repaid. An increase in capital is possible when the creditor waives its obligations or the statute of limitations has expired.

Let's consider the definition of the scientific opinions of economists regarding the economic essence of the "income" category in modern scientific literature.

Butynets F.F. defines income "as an economic category, income (revenue) is a flow of cash and other income for a certain period, received from the sale of products, goods, works, services" [3].

Scientists Voznyuk H. and Zagorodnyuk A. interpret income in two ways. According to one, income is "the difference between the proceeds from the sale of products, works and services and the cost of material costs for the production and sale of these products." At the same time, it is clarified that "The cost of materials, products, constructions, fuel and energy used in the production process, as well as depreciation deductions, funds for social insurance, etc., are included in the determination of income to material expenses payments. The income of the enterprise differs from the profit by the amount of the wages of the employees: the income is equal to the sum of the profit and the wages of the employees." According to another definition of scientists, income is "monetary or material values obtained from production, commercial, intermediary and other activities (revenues)" [6].

Sidun V.A. compares income with sales. and Yu.V. Ponomaryov with the definition of "enterprise income - as revenue from the sale of products, services and performance of works without taking into account value added tax and excise collection" [13].

Odesa scientist-scientist Prodius Yu.I. emphasizes that "income is revenue from the sale of products (works, services) after deducting material costs. It is the monetary form of the enterprise's net output, i.e. it includes wages and profit" [12].

The definition of "enterprise income - as receipts received as a result of its economic activity for a certain period of time in the form of specific economic benefits obtained as a result of the use of economic resources involved in the economic process under the conditions of an acceptable level of entrepreneurial risk"

is given by V.I. Blonska. [1].

The definition of private economic income given by O. Sokolov is very interesting: "private economic income should be understood only as income that arose on the basis of the pricing process. That is, income, from a tax point of view, is all income arising from the pricing process, with the exception of proceeds from the sale of property" [20].

The definition of income by scientist N.M. Shmygol is quite meaningful and broad, where "enterprise income is an increase in economic benefits due to the receipt of assets and/or the repayment of liabilities, which leads to an increase in the organization's capital, excluding the contributions of participants (property owners), and obtained as a result of the use in the economic process of the economic resources involved for this and competitive advantages under the conditions of an acceptable level of entrepreneurial risk" [21]. We agree with the author of this interpretation, because it takes into account the company's activities and does not contradict the current legislation.

Having analyzed the definition of the category of the concept of "income" by various scientists, it can be argued that the meaning of the concept is defined in a broad and narrow sense. And conditionally, their views can be divided into two categories, where income:

- is considered as revenue from the sale of products [5];
- has a wide meaning and influence on determining the result of the business entity's activity and the amount of equity[5].

Note that in addition to literary sources, the term "income" is also disclosed in regulatory and legislative acts, but we will consider them in a specially designated subsection of this section.

In order to receive income, the enterprise must incur appropriate expenses. Let's consider the economic content of costs.

Costs are the main factor affecting the volume of supply and the profit of the enterprise.

Expenses in accounting, in accordance with P(S)BO 16 "Expenses", are defined as "a decrease in economic benefits as a result of the disposal of assets or an increase in liabilities, which lead to a decrease in equity (with the exception of a decrease in capital due to owners' contributions)". Many scientists and economists do not agree with this interpretation. After all, for example, production costs do not

relate to equity, and besides, expense accounts do not correspond to capital accounts[19].

Thus, the scientist S. F. Golov claims that production costs lead to the emergence (increase) of an asset, namely, unfinished production [4].

According to V.E. Waste costs are "resources consumed or funds spent to obtain the desired result" [17].

N.M. Tkachenko in his publications emphasizes that "costs are means of production consumed in the production process, which embody past labor (raw materials, fuel, etc.), and means of labor (buildings, structures, machines and equipment) in the form of depreciation, which transfer their the cost of a newly created product" [16]. We consider this definition to be incomplete, because only the material component is taken into account. And the production process is interconnected with the costs of living labor.

So, summing up, costs are interpreted as consumed resources, as well as costs for the acquisition of assets [18].

This interpretation is clarified by M.I. Violinist He notes that "payment of funds for resources are not expenses, they are only funds paid by the enterprise to ensure the continuity and efficiency of business activities, and they do not directly affect the financial result." Expenses are formed when current assets are written off for production, when depreciation is charged on non-current assets used in production or when the financial result (profit or loss) is formed for the reporting period [14].

F.F. Butynets emphasizes that "production costs are a monetary expression of the amount of resources used in the production process, the size of which can be directly attributed to a specific type of product. These current costs are accounted for and planned as the cost of production" [2].

The same opinion and V.P. Zavgorodnyi: "in the process of production of products, labor is spent, means of production and objects of labor are used. All costs of the enterprise for the production and sale of products, expressed in monetary terms, make up the cost of production ... [7].

E. Manylich and O.V. Myroniuk distinguishes between the concepts of costs and expenses. Thus, in their opinion, "the concept of "cost" is related to factors affecting the results of the production activity of one or another business entity, and the concept of "cost" is related to the financial aspects of this type of activity." From this we conclude that the category "costs" is more general and includes the concept of

"costs" [8].

Scientist V.V. Sopko notes that "costs are the process of converting money into activity resources [15], and costs are a general economic concept that characterizes the use of substances and forces of nature of different nature and properties in the economic process" [15].

L.V. Napadovska understands expenses as "a decrease in economic benefits during the reporting period or an increase in the company's liabilities, which leads to a decrease in capital" [8].

In our opinion, production costs are the basis of cost formation and have a monetary and in-kind form. At that time, the cost price is only a target form of production costs and has only monetary form.

As a result of the analysis of interpretations and definitions of the concept of "costs" by various scientists, we offer our own definition of "costs". Therefore, costs are a set of resources used in the course of the business entity's activity, expressed in monetary terms, calculated according to accounting rules, to generate profit and repay liabilities.

The financial result of any enterprise activity is profit or loss. As a rule, the company receives profit from the sale of grown or manufactured products, goods or services provided. Business entities can also sell material assets that are currently not needed or used in the economy, or provide auxiliary production services (if available). In addition, the enterprise may have income and expenses from investment or financial activities, which in turn increase or decrease profit, respectively [12].

The company can receive profit both from the corresponding transaction with the counterparty and from the result of the reporting period. And in general, the profit of the enterprise is formed during the financial and economic year. If we consider the profit by the sources of receipt, then the sale of products (goods, works, services) occupies the largest part. In this case, the profit is defined as the difference between the income received from sales (reduced by the amount of indirect taxes) and the expenses incurred in connection with production and sales.

In addition to income from sales, the enterprise can also receive financial income, which is the result of investment and financial activities. And financial results from extraordinary events can also be obtained [2].

In general, the category of financial results is quite complex in economic science. Financial results were studied in their writings by many economists and

many theories were devoted, "which substantiated its definition and recognition in accordance with the level of development of productive forces and production relations, as well as the needs of certain users, which were determined by the modern conditions of social reproduction. The multifaceted nature of the tasks determines the multitude of approaches to determining and recognizing the company's profit" [7].

The main concepts of the financial result are reflected in the national provision of the accounting standard 1 "General requirements for financial reporting", where it is reflected that the profit is the amount by which the received income exceeds the costs incurred for their receipt. Loss is the excess of incurred expenses over received income.

The formation of the financial result consists in determining the net profit (loss) of the reporting period. In order to reflect the result of financial and economic activity, enterprises consistently compare the income received with the expenses incurred in accounting.

The purpose of correctly determining the financial result of the enterprise is to provide users with reliable information about the income received, expenses incurred, profit received or loss incurred as a result of the economic activity of the enterprise for the reporting period.

We also emphasize that income and expenses are reflected in the accounting at the moment of their occurrence, regardless of what happened first - the receipt of money or its payment.

Let's consider how each component of net profit (loss) is formed

Net income from the sale of products (goods, works) is defined as the difference between the proceeds from the sale of products (goods, works, services) and indirect taxes (value added tax, excise tax, discounts).

Gross profit (loss) is calculated as the difference between the net income from the sale of products (goods, works) and the cost of sale of products (goods, works).

When determining the financial result from operating activities, the amount of gross profit (loss) and other operating income is reduced by the amount of administrative expenses, sales expenses and other operating expenses, respectively, if available.

The financial result from ordinary activities before taxation is calculated as the difference between the sum of the financial result from operating activities (profit or loss) and income from financial activities, and expenses from financial activities.

When calculating the financial result from ordinary activities, profit from ordinary activities before taxation is reduced by the amount of corporate income tax.

If the enterprise has unreimbursed losses or profits from extraordinary events (for example, as a result of a fire or natural disaster), then this is a financial result of extraordinary activity. It is displayed separately.

Net profit (loss) is the final financial result, which is determined for the reporting period, as the difference between all received income and all incurred expenses for the corresponding period.

The size of the profit and the nature of the loss is the result of the activity of each enterprise [15].

The peculiarity of agricultural enterprises in determining the financial result is that the financial result is determined immediately after receiving the products from production, and not after sale, as in other enterprises. These features are due to the national regulation (standard) of accounting 30 "Biological assets". According to accounting standard 30, "agricultural activity is the process of managing biological transformations with the aim of obtaining agricultural products and/or additional biological assets"[3].

So, financial results are formed consistently by comparing the income received and the expenses incurred in accounting. In accounting, the financial result is obtained from ordinary and extraordinary activities. An agricultural enterprise has its own peculiarities of determining the financial result, which is determined by the specifics of production and economic activity and NP(S)BO 30 "Biological assets".

One of the functions of accounting is the formation of information about the results of the economic entity. Already in the 14th century, accounting was faced with the task of determining profit. L. Pacioli noted that the goal of any merchant is to acquire the permitted appropriate benefit for his existence [11], therefore, accounting should be directed to its definition.

In the history of the development of accounting thought, several paradigms are distinguished: unigraphic, digraphic and cameral. Each is characterized by a set of distinctive features, the most important of which is the approach to calculating the financial result, which allows us to highlight the main stages of the development of the methodology for calculating and accounting for the financial result.

I stage. It is characterized by the simplicity of calculating the financial result (the difference between profit and costs from the usual type of activity) and



accounting organization - a simple accounting system, the absence of profit and loss accounts, the ability to determine the result only after conducting an inventory. These features were typical for unigraphic accounting.

II stage. For this stage, the calculation of the financial result as the difference between the price of sold goods (not all available) and their cost is characteristic, the use of double entry makes it possible to determine the result quickly (without conducting an inventory) and for each individual transaction. The accounting methodology is being improved: separate results accounting accounts are allocated.

During the diagraphic stage (1300-1850) of accounting development, there emerged a need for the advancement of methodology in determining financial results. This period witnessed the integration of various accounting elements into a unified system, with certain divisions referred to as accounts [1]. Evidence of accounting accounts emerged with the accounting books of Alberto (1302-1329), Francesco di Marco Datini (1335-1410), and D. Farolfi (1299-1300). Some of these books featured accounts for departmental salaries, expense accounts, among others. In the accounting books of the company Del Bene, engaged in production, wholesale, retail, and external trade of cloth, there were numerous accounting books (main, purchases, cash, secret, expenses, personal, etc.), each corresponding to an account or containing data for several similar accounts but on different pages. For instance, the cash book reflected data for expense accounts on some pages and income and loss data on others. These books were notable for maintaining separate records for various types of activities. These books can be considered examples of synthetic and analytical accounting, which laid the foundation for calculating financial results by types of activities. Research conducted by M.I. Kutur'ye indicates that during the period 1392-1400, the "Profit and Loss" account was constructed annually, and the earned profit was not added to capital but withdrawn by the owner [15].

The publication of L. Pacoli's book "The Sum of Arithmetic, Geometry, the Doctrine of Proportions and Relations" made digraphism a great tool for calculating financial results. At the same time, it was not necessary to carry out an inventory, since the profit was reflected in the credit of the account, and the loss - in the debit.

From the point of view of M.I. Kuter, it was the development of double-entry bookkeeping that influenced the methodology of calculating the financial result and using the Profit and Loss account.

III stage. The financial result is calculated on the basis of the cost-output ratio,

calculated by types of activity: foreign trade, production, etc., associated with the money received; accounts appear: "Production", "Purchases", "Sales".

Within the framework of digraphic accounting, the theory of mercantilists and the theory of economists A. Smith and D. Ricardo can be distinguished. According to the theory of mercantilists (XVI-XVII centuries), profit is generated in foreign trade as a result of the fact that people resell goods abroad at a price that is significantly higher than their purchase price [2]. In this case, foreign trade can be considered as a type of activity.

The camera accounting paradigm consists in the accounting of monetary income and expenses. The main object is cash transactions and, as a result, the financial result is determined on the basis of cash flows. Accounting in organizations did not involve the calculation of profit and capital (it was pointless to calculate the financial result where it does not exist).

IV stage. Views on the financial result and methods of its calculation are expanding. The relationship between financial results, property and capital is traced. Accounting as a science developed in the 19th century, which led to the emergence of new directions: legal and economic.

The founder of the economic direction is considered to be D.L. Crippa (1838). At the same time, the purpose of accounting was to calculate the results of economic activity. The French continued this direction: Zh.G. Courcel-Senel (1813-1892) - emphasized the importance of accounting for managers, L. Sey (1826-1896) - paid great attention to cost, E.P. Leote (1845-1908), A. Guilbo (1819-1895) - formed the doctrine of three accounting functions: accounting, social, economic [18]. As a result of economic theory, the doctrine of dynamic balance appeared. French economists E.P. Leote and A. Guilbeau tried to build an elementary model of economic operation:

$$\text{Sales revenue} = \text{cost} + (-) \text{ financial result}$$

So, any operation has three possible outcomes: profit, loss, or zero result. According to their theory, the debit balance on the profit and loss account determines the cost of capital spent in connection with inefficient work of the administration, the credit balance on this account shows capital gains as a result of a qualified manager.

The English economist L. Dixie believed that the net profit does not belong to the firm itself, but to its owners, and therefore the owner is the creditor of the firm for the entire amount of the net profit. Profit and capital cannot be appropriated by

the enterprise for its own needs, everything belongs to the owner until both are withdrawn from the enterprise by the owner, the latter is a creditor for the amount of this capital and these profits [17].

According to the equation of I.F. Chera, the financial result of the organization's activity will be the same in statics (the difference between assets, liabilities and capital at different dates) and in dynamics (the difference between income and expenses) for the period of time between these dates.

In Germany, they began to distinguish between the gross balance sheet (consisting of undistributed profit) and the net balance sheet (consisting of already distributed profit). The German economist H. Niklish believed that profit is a component of "new capital" and is related to the assets of the balance sheet. Profit exists only before the reformation of the balance sheet, and after it is reflected by the owner, it dissolves in his property.

V stage. The financial result is calculated taking into account monetary and non-monetary transactions (arising due to changes in asset prices), the principle of continuity of activity is used, which allows the allocation of expenses of future periods. It is calculated for an individual enterprise, organization, industry, region, state for a certain period of time: for a month, a quarter or a year.

Developing the ideas of dynamic balance, E. Schmalenbach formulated the modern accounting principle of continuity of operations, according to which a firm's expenses for conducting business are expenses of future periods and form the assets of the firm, demonstrating the possibility of generating profit from the early stages of business existence [19]. He emphasized that the financial result can only be determined for the entire period of the enterprise's existence and largely depends on the chosen methods of its determination. To calculate the financial result, only cash expenses and revenues should be considered, including the amounts of periodic material expenses and results. Due to the differences between material and cash turnovers, during the balance sheet compilation period, there may be material turnovers that do not yield financial results and, conversely, financial results that do not serve as material turnovers. The main role of the balance sheet is to identify profit and reflect financial results. In this case, assets represent expenses that should generate income; liabilities represent income that will become expenses when liabilities are settled.

According to V. Rieger, all economic operations consist of profit and loss. The

"Profit and Loss" account was a common account in current accounting, the purpose of which was to reflect all losses, profits, and transfer their balance to the "Capital" account. However, this account reflects not all economic turnovers, but only their difference, as the true profit is determined only as a result of the termination of the organization's activities when all economic turnovers are fully completed, and the accounting recognizes the object - cash funds. The profits of reporting periods are conditional, as they depend on methodological accounting techniques and do not carry sufficient reliable equivalents in assets. Economist F. Schmidt made a distinction between the results of economic activity and profit (loss). This distinction is due to the presence of two layers in accounting: 1) natural - the real presence of assets (reflects entrepreneurial capital in a natural dimension); 2) value-based - the abstract presence of assets (reflects entrepreneurial capital in monetary terms). Hence, the result of economic activity is determined by the increase (decrease) in the real volume of the company's assets, while profit is calculated in abstract monetary units, making it conditional.

American economist E.G. Foley showed that profit arises both as a result of the organization's economic activity and due to changes in supply and demand in the market. However, legislation does not distinguish between these fundamentally different sources of profit formation. American accountants have determined that profit calculated in accounting does not reflect its economic content - the actual result of economic activity. Understanding this fact has led influential American scholars to clearly distinguish between the concepts of accounting and economic profits. The former defines profit as the result of the sale of goods and services, while the latter is associated with the operation of capital. The difference between these approaches was elucidated by I. Fisher. He likened profit-generating capital to a garden. From an accounting perspective, the value of the garden equals the expenses associated with its acquisition, whereas from an economic standpoint, its value equals the harvest it produces. The idea of profit in accounting is only related to the achieved result, although from an economic standpoint, what will be obtained in the future is important.

During the Soviet era, the financial result was not considered in its true sense, and the question of investigating profit was not raised. Revenue was reflected at the moment of receiving cash, which distorted the financial result of the period. However, the necessity of using financial performance indicators in assessing the

activities of state-run organizations forced state authorities to pay sufficient attention to the accounting functions of financial results. Therefore, the account designed to form the final financial result, as an element of the system, always accompanied any advanced accounting information system applied in the country.

Due to the change in the political course in Ukraine, there was no time for leaders of organizations to rethink their notions of financial results, and the American conception of profit was adopted as the basis. German accounting interpreted profit as an increase in net assets. In such accounting, besides correlating revenues and expenses that generate profit, the real evaluation of any object on the company's balance sheet came to the fore. Accordingly, all assets received for free, any revaluation of them automatically was considered as profit.

The need for increased funds for business development led to the creation of joint-stock companies. Hired management was required to report to owners who were unfamiliar with the company's activities. Consequently, various concepts of accounting emerged. Additionally, the profit identified for the reporting period served as the basis for dividend accruals, making profit determination the primary task of the accountant. Within the development of this direction, corporate financial performance stands out.

Stage VI. Views on financial performance are developing among experts in various fields of knowledge, and various calculation options are used, oriented towards the interests of users and based on financial, managerial, tax accounting data, forecast calculations, and reporting indicators. Automated accounting systems allow for detailed accounting of financial results, meeting multi-profile user needs and enabling information delivery in real-time.

In our opinion, despite the lack of a unified understanding of financial performance, the most interesting and promising for further consideration is the initial definition, at the origins of which stands the English economist D. Hicks. Developing D. Hicks's ideas, the theoretical construction of IFRS (the concept of capital and capital maintenance) was formed, which allowed defining profit as an increase in capital at the end of the period after maintaining the initial capital amount. Two capital concepts can be used in this regard. From the perspective of the financial capital maintenance concept, profit corresponds to the increase in net monetary assets for the reporting period without considering all payments to owners and their investments during the period. According to the physical capital maintenance

concept, profit is the increase in the physical productive property of the organization without considering all payments to owners and their investments during the period.

In modern conditions, approaches to the calculation of the financial result are developing more actively, which is connected with the improvement of information technologies, the exit of business beyond the borders of one country, active diversification of activities, the mobility of the organizational structure of the firm, a change in the style and methods of management, the possibility of using the tools of financial and accounting engineering . All this allows us to highlight the following most common options for calculating the financial result:

- according to the data of various (forecast, liquidation, consolidated, etc.) balance sheets;
- based on production accounting data (marginal income, production financial result, etc.);
- on the basis of these accounts of financial results;
- by analytical positions (by agreement, by product, by order, etc.).

It should be noted that in modern conditions, there is a shift in emphasis on evaluating the results towards the opportunities and development prospects of the economic entity.

Studying the historical aspect has allowed identifying 6 main stages in the development of the methodology for calculating and accounting for financial results: Stage I is characterized by the use of a single approach and simplicity of calculation, Stage II involves a more precise calculation of the result and the allocation of a separate accounting account for these purposes, Stage III is distinguished by using an evaluation based on the cost-output ratio and forming the result by types of activities, increasing the number of accounting accounts used in its determination; Stage IV is associated with expanding views and methods of calculating the result and the interrelation of financial result, assets, and capital; Stage V is notable for including both cash and non-cash transactions in the calculation, using the continuity principle, which allows for the allocation of expenses of future periods; calculations are made for individual enterprises, organizations, industries, regions, and countries for a certain period of time; Stage VI involves the formation of new views by specialists from various fields of knowledge on the financial result, detailed accounting, using various calculation options oriented towards the interests of users and based on financial, managerial, tax accounting, forecast calculations, and reporting indicators.

The issue of evaluating the results of economic entities' activities has been and continues to be considered by specialists from various fields of knowledge over hundreds of years, and each specialist provides a reasoned explanation of the result criterion. J. Richar notes that "the philosophy inspiring a merchant differs from the philosophy of lawyers," so approaches to evaluation are different.

It is important to consider the diversity of users' views and information. Evaluation always depends on the questions, for whom, and for what purpose the assessment is conducted. Therefore, financial performance indicators determined as criteria by information users are different. It is advisable to identify and group them.

Middleton D. emphasizes that each organization has its own goal, for the achievement of which it attracts narrow-profile specialists, so each of them will define "results" in the indicators of their specialty, adhering to their own values. As the user's position changes, so does their goal and approach to assessing performance. When considering information users, it is necessary to take into account informational asymmetries, as outlined by Olynychuk O. I.: "Different people have different information: the owner of the company knows more about it than a potential investor, the borrower knows better about the risks he faces than the lender, and so on." An important point in determining performance indicators is the terminology used and "linguistic games." Thus, for example, economists very freely and easily use the concept of market price in their theoretical constructions; accountants, on the contrary, face many questions: what is it, how to calculate it, how reliable and substantiated the obtained estimate is, and so on; the definition according to which market price is the price set in the market is unlikely to satisfy an accountant.

The results of studying the views of various authors, surveys of specialists, experts, and information users have allowed identifying 7 of the most important classification characteristics-indicators used for evaluating financial results.

In relation to a commercial organization, and, therefore, according to the accessibility of user information, it is necessary to highlight:

- indicators of interest to external users,
- indicators of interest to internal users.

External users face significant limitations in information, while internal users have access to a wider range of data, which may be accompanied by explanations and detailed calculations. Internal users, for the most part, are interested in indicators that describe the current state of the economic entity across various metrics used to assess

their performance, and are oriented towards profit generation today. They provide fairly detailed characterization of specific aspects of the entity's activities and the results of decisions made (rather than their state). Any indicator is considered controllable (variable as a result of certain actions). A crucial component is control over the bankruptcy risk zone. Internal users have the ability to evaluate the real, not nominal, value of capital. Evaluation criteria depend on the goals and objectives addressed at each level of users.

Developing this idea, Partin H.O. proposed introducing the indicator of estimated capital into the structure of equity capital, which characterizes the degree of loss from the depreciation of the fair value of balance sheet assets, and accounting procedures for compensating for these losses over time, allowing for a more objective information about the financial result to be formed. Popovych O.V. recommends using the indicator of "internal business profitability" for assessing enterprises and products.

External users are represented by a fairly wide range, but they have limited access to information, they do not have the ability to influence the entity's operations, they focus on the stability of its state and possible development prospects, the evaluation of which is based on expert opinions or on indicators disclosed in the financial statements.

In each group of potential information users, indicators directly related to their interests can be identified. Therefore, it is advisable to distinguish user groups and define the goals they should be oriented towards achieving.

1. Owners. They invest money in business in order to receive personal income from the business entity. But at the same time, they can solve two tasks:

- preservation and increase of funds for a long period; the real increase in the capital of the economic entity will act as an evaluation criterion;

- quick receipt of income: controlled indicators - accrued and paid dividends.

2. Managers of the highest management level. The manager's real goal is to earn his own income in the form of salary or bonuses, but his income is directly dependent on the owner who appointed him as a manager. Therefore, the primary task of the head of the highest management level is to achieve a result that satisfies the owner, and these are, first of all, indicators characterizing the increase in the value of the business entity. One of these indicators is the earnings per share indicator. It is used to compare results over time. This indicator may be of interest to both owners



and investors.

Indicators are used to evaluate the effectiveness of various aspects of activity: ROA - net return on assets; ROS - net return on sales.

The calculation of each of the indicators is based on the net profit reflected in accounting, therefore, it is the profit of the current period that is an important evaluation indicator.

### 3. Managers of middle management level.

The problem of many economic entities is the determination of the activity indicator of the structural unit. Net return on assets (ROA) is an indicator sufficient to evaluate the effectiveness of the work of middle managers, since the size of stocks of materials, finished products and some other assets depends on them, and excess stocks lead to a decrease in profitability, turnover, liquidity, divert funds from turnover D. Schiffer, taking the post of head of Caterpillar, used the return on assets (ROA) indicator as an evaluation for the work of the company's divisions, which led to a positive effect.

But most often in modern economic conditions, marginal income is used to evaluate the performance of department heads, and it determines the amount of bonus payments to managers. But the marginal income is created in the production unit, and for the managers of non-production units, evaluation indicators are developed that characterize the results of the activities of these units. So, for the sales department of a manufacturing business entity, important indicators are: the volume of sales, the amount of money received and some others, for the transport department - the number of shipments, the amount of incurred expenses, etc. So, at this level, we cannot talk about general indicators, as they are individual in nature.

4. Economists. The activities of economists are mainly related to the management of the organization's finances, so they base their conclusions on information about cash flows and use the residual cash flow indicator - RCF (Residual Cash Flow) as an estimate. Its calculation is based on the concept of residual income and the formula looks like this:

$$RCF = AOCF - WACC * TA, \quad (1.1)$$

where: AOCF (Adjusted Operating Cash Flows) - adjusted operating cash flow;

WACC - weighted average cost of capital;

TA - total adjusted assets.

5. Economist-accountant. One of the most important criteria characterizing the real value of an organization's property is net assets. This indicator is an estimate from the point of view of the possibility of existence and functioning of the subject in the market conditions of business. It is calculated on the basis of balance sheet data and is therefore important for those who prepare the balance sheet.

6. Investors. These individuals invest their money in business for the purpose of obtaining personal income, they are interested not only in already achieved results, but also in projected ones, so they focus on expected profitability and evaluate not just net assets, but consider their dynamics.

7. Creditors. They are interested in the return of funds, so they are interested in all indicators that evaluate the ability of the organization to settle its debts: solvency, liquidity, financial stability and net cash flow. The creditor evaluates the ability of the organization to pay interest on loans and loans, and this ability is derived from the profit indicator of the organization, therefore, the creditor, as well as the investor who invests money, is interested in information about possible risks and future opportunities to receive profit.

8. State. She is interested in the existence of a commercial organization, as in a potential taxpayer. The most important taxes paid by organizations located on the territory of the country are value added tax and income tax.

On the basis of multidimensional and multidisciplinary information accumulated within the accounting system, various types of reporting are compiled, in which relevant resulting indicators are highlighted. So, a source of information can act as a classification feature: financial reporting, management reporting, tax reporting, reporting for investors.

The profit generated in the accounting system is an important indicator used by various users. In many cases, it is used as a constituent element in determining calculation indicators. But it should be taken into account that although it affects the processes of forecasting and decision-making, it is not always a reflection of the real situation, since accountants build their principles and methods on the basis of ideas that may not relate to reality.

The use of the proposed classification of indicators makes it possible to highlight the most significant indicators of financial performance assessment for each group of users of financial statements, to determine directions for conducting previous, current and subsequent control in the interests of users. Understanding the

essence of indicators and a competent classification allow you to quickly draw up detailed reports and analyze indicators, speed up the decision-making process by various groups of information users.

Regulatory and legal regulation of accounting and control of income, expenses and financial results is a system consisting of several levels. The first level is legislative, where the main concepts and tasks related to accounting and reporting are reflected; the second level is normative (the basic rules are established), and the third level is methodical, the documents of which are of a recommendatory and explanatory nature. The last level is organizational, it consists of internal documents of the enterprise, for example, the order on the accounting policy and others that reflect the specifics of the enterprise.

The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" applies to all business entities that are required to keep accounting records and submit financial statements. Regulates the organization of accounting at the enterprise in compliance with the defined principles of accounting and the formation of financial statements with a reflection of income, expenses and financial results.

The most accurate reflection of the financial result formation algorithm is the Financial Results Report (Total Income), which is regulated by the national accounting standard provision (NP(S)BO) 1 "General requirements for financial reporting". The accounting standard "determines the purpose, composition and principles of financial reporting and requirements for recognition and disclosure of its elements" [10]. And the detailed instructions for filling out the main articles of the financial reporting forms, including the report on financial results, are regulated by the Methodological recommendations for filling out the financial reporting forms, approved by the order of the Ministry of Finance No. 433. from 28.03.2013

During the formation of the financial result, information on income and expenses is used, the accounting of which is regulated by NP(S)BO 15 "Income" and NP(S)BO 16 "Expenses".

Thus, according to NP(S)BO 15 "Income" "income is recognized when an asset increases or a liability decreases, which leads to an increase in equity (with the exception of an increase in capital due to the contributions of enterprise participants), provided that the assessment of income can be reliably determined".

Accordingly, NP(S)BO 16 "Expenses" - "expenses are reflected in accounting simultaneously with a decrease in assets or an increase in liabilities; are recognized as

expenses of a certain period simultaneously with the recognition of the income for which they were incurred."

When determining the income tax, which also applies to the expenses of business entities and reduces the financial result of the enterprise, they use the Tax Code of Ukraine (PKU) and the National Regulation (standard) of accounting 17 "Income Tax". The PKU defines the main elements of income tax assessment. In the context of our topic, the list of income and expenses that form the financial result before taxation, the income tax rate, and also the list of tax differences for which the accounting financial result before taxation is adjusted when determining the object of taxation in tax accounting are shown.

NP(S)BO 17 "Income Tax" contains information on determining income and expenses when calculating income tax and the procedure for displaying it in accounting.

During the review of regulatory sources, contradictions were found in the classification of activity costs according to accounting and tax accounting, respectively P(S)BO and PKU.

Thus, the Tax Code of Ukraine does not define the concept of expenses by type of activity and their classification. At a time when the P(S)BO and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" define a detailed description of costs and classification for determining the financial result for operating (main operating and other operating) and other costs normal activity. Therefore, in order to eliminate identified misunderstandings according to accounting and tax accounting, it is necessary at the level of the Verkhovna Rada to make changes to the tax code with clarification and classification of expenses in the context of determining income tax.

There is a Chart of Accounts for the accounting of assets, capital, liabilities and economic transactions of enterprises and organizations to reflect economic transactions and to implement the principles and methods of accounting. Thus, class 7 accounts "Revenues and activity results" are used to record income and financial results, and class 9 accounts "Activity expenses" are used to record expenses. The chart of accounts ensures for all enterprises uniformity in the display of business transactions, the accumulation of accounting information, which is then used for the formation of financial and tax reporting, as well as conducting economic analysis.

For the correct application of the accounts of the Chart of Accounts, an

explanation is given in the Instructions on the Application of the Chart of Accounts for Accounting of Assets, Capital, Liabilities and Business Operations of Enterprises and Organizations. This normative document describes the characteristics of each account and its sub-accounts in terms of their structure and purpose, and also provides an example of the application of the most common correspondences for business transactions.

The legal and organizational principles of state financial control in Ukraine are determined by the Law of Ukraine "On Basic Principles of State Financial Control in Ukraine". This Law defines which control bodies are obliged to carry out control, in what terms, what specifically should be checked, the rights and obligations of both the inspectors and the company being inspected, etc.

Sometimes, to carry out control, enterprises order an independent audit, the activity of which is regulated by the Law of Ukraine "On the Audit of Financial Statements and Audit Activity", which defines the legal basis of the audit of financial statements, the conduct of audit activity in Ukraine and regulates the relations that arise during its conduct.

Therefore, the analysis of regulatory legal sources allows us to note that in Ukraine there is a fairly large number of legislative acts for accounting of income, expenses and financial results, which are represented by: laws, orders, resolutions, provisions (standards) of accounting, the code. However, taking into account the above, it can be concluded that the regulatory framework for greater compliance between accounting and tax accounting needs clarifications and solutions in order to prevent distortions and inaccuracies of accounting information.

Internal control of financial results is understood as a set of actions carried out at enterprises with the aim of obtaining confidence in the reliability of financial reporting indicators, which are related to the formation of financial results and the use of profit.

In general, at present, the aspects of accounting and internal control of financial results must be classified as widely covered in the scientific literature. At the same time, there are not enough works in the researches that are devoted to the aspects of practical implementation of internal control of financial results at enterprises.

The task of internal control of financial results is also to provide the management apparatus with reliable information data related to the economic results of the company's operation for the purposes of operational management.

In general, Bardash S.V. "internal control of financial results is considered in the context of tax audit". At the same time, according to the author, "the main areas of internal control are:

- control of the correctness of the formation of the tax base and correctness of the organization's income tax calculations, verification of the validity of the possibility of applying income tax benefits;
- identification of possible recommendations for correcting the most likely errors and inaccuracies;
- assessment of tax risks".

The author notes that "the importance of internal control of financial results also lies in the need to obtain reliable information related to the economic results of the organization's functioning for the purpose of operational management of the processes of formation and use of all types of profit."

I. K. Drozd believes that "one of the main factors that prompts the company to conduct internal control of financial results is the desire of the owners and the management apparatus to ensure the streamlining of business processes in order to rationalize them and save resources."

M.N. Shevchuk believes that "the mechanism of internal control of the financial results of the enterprise's functioning should be aimed at establishing an objective picture that reflects the degree of reliability, truthfulness and legality of the reflection in the financial accounting and accounting of the indicators of income, expenses and financial results."

The degree of effectiveness of control of financial results at enterprises, according to the author, is significantly dependent on the organization and implementation of procedures related to internal control at enterprises.

According to the author, "internal control is understood as a set of continuously operating processes formed and introduced by the organization's management apparatus, which are carried out in order to obtain reasonable and sufficient information for understanding such indicators as:

- degree of effectiveness and efficiency of functioning;
- degree of reliability of financial reports;
- the level of compliance with the requirements of legislative acts and established procedures for accounting and tax accounting".

The organization of internal control of financial results, according to M.N.

Shevchuk, "must include the monitoring of all company activities, since any action, any performed business transaction directly or indirectly affects the level of final financial results of operation. In this regard, in order to conduct a complete and effective verification of the creation of fin. the results are not enough to ensure the control of the correctness of the calculation of the final profit (loss) received by the organization for the period under study, it is also important to carry out the following actions»):

- conduct an analysis of the reason for the change in financial results in comparison with past periods or planned indicators;
- to carry out retrospective and operational control during all cycles of activity, which will give an opportunity to influence the results of management, to evaluate the effectiveness of actions and to adjust existing management decisions.

M.N. Shevchuk believes that "in general, the process of internal control of financial results should include three stages: organizational, research and final".

The organizational stage of internal control should include:

- carrying out a preliminary review of the specifics of industrial and commercial activity;
- performing an analysis of the state of accounting of income, expenses and financial results;
- implementation of proposals regarding the program of internal control of financial results, definition of a set of methods and tools.

At the experimental stage of internal control of financial results, a combination of general scientific, calculation-analytical and documentary verification techniques selected at the organizational stage and ensuring a sufficient degree of reliability and correctness of information data display in primary documentation, accounting registers and reporting forms should be used.

The final stage of internal control should include the results of detected violations in primary accounting, accounting registers and reporting forms, receiving and evaluating explanations of guilty persons, grouping and systematization of detected deficiencies. The results of internal control should be reflected in the appropriate inspection report.

Next, the results of internal control (conducted control procedures) should be discussed with the company's officials, proposed measures to eliminate the identified errors.

The collective authors E.V. Mnykh, S.V. Bardash, O.A. Shevchuk note that "the main problems of internal control of this accounting object are the imperfections of the regulatory framework regulating the issues of accounting for financial results of the reporting period. At the same time, according to the authors, the reasons for this are the absence of a common denominator of issues related to":

- unambiguous interpretation of concepts related to income, expenses, and financial results indicators, as well as criteria for their assessment and accounting;
- adoption and subsequent approval of industry-specific regulatory acts that would provide clear criteria for classifying expenses and revenues for accounting purposes;
- coordination of regulatory acts in the field of accounting and tax accounting regarding the timing of recognition of income and expenses and undistributed profit (uncovered loss);
- strengthening the responsibility of management staff and accounting personnel for inadequate performance of control functions by the enterprise to ensure the accuracy of data reflection in primary documents, accounting registers, and reporting forms.

L.V. Kozina emphasizes "the necessity of changes, new approaches to forming indicators related to income, expenses, financial results, taxable base for corporate income tax, which will enable not only comparability but also correspondence to the informational needs of financial statement users for decision-making."

Some authors also highlight the absence of widespread use of automated internal control systems for accounting processes, including financial results. For example, V.M. Murashko, T.M. Storozhuk, O.V. Murashko note that "in modern conditions, the implementation of a process approach using automated systems and information technologies is of paramount importance in ensuring effective functioning of the internal control and audit system." The authors point out that "the need for automation of internal audit processes is felt by many companies, primarily enterprises with a vertically integrated structure, as well as those with a geographically dispersed network of subdivisions."

Thus, after considering the different opinions of scientists regarding the existing problems of internal control of financial results, it is possible to summarize as follows:

- improvement of the normative-legislative framework regulating the



accounting of financial results of the reporting period;

- improvement of the accounting of the financial results of the organization by means of the development of internal regulations aimed at leveling the double interpretation of the norms of the current legislation, as well as taking into account the whole set of factors affecting the business entity;

- regulation of the methodology of accounting of financial results and their verification in the APM systems.

Control is one of the functions of management, it is used to evaluate and analyze the economic activity of the enterprise in order to timely identify and correct deficiencies for effective work and achievement of planned goals. Control can be both internal and external.

Internal control is carried out by employees of the enterprise, is independent from the management and management personnel of the enterprise, is a type of economic control of the owner for the purpose of making management decisions or adjusting them based on the information received.

The internal control of financial results should cover all the activities of the enterprise, every economic transaction, because everything has an impact on the final result of the enterprise: profit or loss. That is why it is not enough to simply control the formation of the financial result, profit or loss and compare it with indicators of past periods or planned ones, because the most important and effective is previous and current control throughout the entire period of economic activity. This makes it possible to quickly influence the results of activities, evaluate the action plan and change management decisions.

The purpose of control of income, expenses and financial results is to establish compliance of accounting at the enterprise with established valid regulatory documents for the period of inspection; provision of an information management system for decision-making on improving performance.

The object of control of income, expenses and financial results is received income, incurred expenses and profit (loss) of the financial result, both in general and in terms of types of activities.

The main tasks of controlling financial results are checking:

- the correctness of the calculation and display in the Report on the financial result: income, expenses, profit (loss);

- reliability of displaying amounts on income, expenditure and financial results

accounts;

- formation of the financial result and distribution of the received profit or coverage (write-off) of the received loss and others.

Sources of control of income, expenses and financial results are: Balance sheet, Report on financial results (Total income), registers of analytical and synthetic accounting for accounts of income, expenses and financial results, primary documents.

Regulatory documents regarding the control of income, expenses and financial results are: national provisions (standards) of accounting No. 1, 15, 16, 17, the Law of Ukraine "On accounting and financial reporting in Ukraine" and other regulatory and legal documents regarding this area checks, the order on the accounting policy of the enterprise and other internal documents.

Since the financial result of the enterprise is formed due to the write-off of income and expenses, control should be carried out in the following directions:

- verification of received income using visual inspection methods; availability of primary documents and their correctness; cross-checking as needed;

- verification of expenses incurred, taking into account the data of internal documents (order on accounting policy, work plan of accounts, etc.) regarding the classification of expenses.

The method of controlling the financial results of the activity is carried out using the following procedures:

- establishing compliance of financial reporting data and synthetic accounting registers;

- verification of the availability and correctness of primary documents;

- verification of the correctness of the recognition of income, expenses and financial results on the corresponding accounts of class 7 and class 9 in terms of analytics by types of activities;

- determining the correctness of accounting of financial results by types of enterprise activities: ordinary and extraordinary, operational and financial activities;

- verification of the correctness of the distribution of net profit (loss coverage) of the enterprise.

In general, the methodology for controlling income, expenses and financial results, which can be used by any enterprise, can be presented in three stages.

At the first stage of the control procedures, a detailed inspection is carried out

to identify general deficiencies, which is the informational basis for the next stage.

The second stage is the application of control techniques and methods to identify possible specific violations.

The third stage is an assessment of the company's work, identification of deficiencies, and a detailed inspection of areas where deficiencies have been identified.

Application of the listed procedures will allow timely detection of deficiencies and increase the quality of control.

So, having studied the issue of control of income, expenses and financial results, we can say that intra-economic control is a type of economic control of the owner for the purpose of making management decisions or adjusting them based on the information received. The internal control of financial results should cover all the activities of the enterprise, every economic transaction, because everything has an impact on the final result of the enterprise. Having information about the object, tasks, sources and regulatory documents, internal control of income, expenses and financial results of activity is carried out according to directions and taking into account the methodology of control procedures.

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## ***SECTION 2. MANAGEMENT ACCOUNTING AS INFORMATION SUPPORT FOR THE MANAGEMENT OF BUSINESS STRUCTURES***

### **2.1. ACCOUNTING AND ANALYTICAL ENSURING THE COMPANY'S RECEIVABLES MANAGEMENT**

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**Summary.** The article reveals the features of accounting and analytical support for the management of the company's receivables. Emphasis is placed on relationships with other business entities in terms of shipping manufactured products, performing work or providing services, and receiving payment for realized assets as an integral part of business operations. The issue of information provision of settlements with business clients is highlighted. It is noted that the occurrence of receivables is associated with a negative phenomenon - its untimely repayment or non-repayment at all. The factors forming the composition of receivables are singled out. It is emphasized that the factors of the internal and external environment, the study of which should be the basis of the receivables management system at the enterprise. Problematic aspects of managing the company's receivables are emphasized. Among the problematic aspects of the company's receivables management, the lack of effective accounting and analytical tools for high-quality information support of the receivables management system is highlighted. The need for high-quality accounting tools for high-quality information support of the asset management system is emphasized. It is emphasized that the effectiveness of the receivables management process affects the financial stability of the business entity.

The inconsistency of management processes regarding receivables is argued, because it is logical to increase the volume of revenue from sales, with the expansion of the circle of customers and the increase in shipment volumes, but at the same time, this leads to an increase in the number of cases of overdue receivables. It was emphasized that special attention should be paid to determining the ways of planning receivables, determining its limit and constantly monitoring its amounts in terms of components of debt. The main aspects of the company's receivables management

policy are presented. The normative regulation of the accounting and analytical provision of the company's receivables has been determined. The importance of the management accounting system, which includes many aspects - both management reporting and a special project management toolkit, and the development of a mechanism for the formation of a quality information resource for the needs of managing a business entity is emphasized. It was determined that accounting and analytical support is the basis for the process of making reasonable and optimal management decisions. The task of analytical assurance of receivables is singled out. An algorithm for analytical support of receivables management is proposed. Attention is focused on the effective management of receivables as a condition for the successful operation of any enterprise and the increase of its financial capabilities.

**Keywords:** accounts receivable, accounting and analytical support, management accounting, enterprise.

In modern conditions, when enterprises are in a difficult situation, it is necessary to identify the main reasons that hold back the economic development of each business entity. One of the important components is accounts receivable, which has a direct impact on the profitability of the enterprise. In recent years, negative trends have been observed in the economy of Ukraine related to crediting problems of the corporate sector, a decrease in the solvency of enterprises and an increase in the amount of receivables. Therefore, the requirements for the management of the company's receivables increase, since untimely payments for goods and services lead to a decrease in the current assets of the company and deterioration of its financial and economic condition as a whole. Crisis phenomena in the country's economy, caused by military aggression, increase the relevance of the study of receivables management, because due to the non-return of receivables and untimely payments for goods and services, enterprises experience a lack of current assets.

Entrepreneurial activity involves establishing relationships with customers regarding the sale of goods, works and services and payment of their cost. Relationships with other business entities in terms of shipping manufactured products, performing work or providing services and receiving payment for realized assets are an integral part of conducting business. Such calculations ensure business prosperity on the one hand, and can be the cause of deterioration of business reputation and bankruptcy on the other hand. Specialists Shot Anna and Bratukh

Denys emphasize this, stressing that "settlement operations are an important component of the financial and economic activity of any enterprise, because they form the basis of the process of ensuring the continuous activity of economic entities" [17].

Between the process of sale of goods, works and services and the receipt of funds for goods, works and services, there may be a certain period of time, as well as a different sequence of these processes. Also, in the process of entrepreneurial activity, there is a need to purchase valuables for business. Customers can build their contractual relationships on the basis of prepayment, and the occurrence of receivables can also be related to the prepayment of the goods ordered from the supplier. We support the opinion of Oleh Polishchuk, Valentina Bobko, and Vladyslav Melnyk regarding the problem of non-payment by business partners, therefore "the current state of enterprise settlements is characterized by an unsatisfactory level of payment discipline of subjects of economic activity and requires strengthening of their control" [16]. At the same time, we agree with Dolishnya Tetyana and Ozar Tetyana that "an important aspect is not just to reduce the amount of overdue receivables, but also not to lose customers and increase the volume of sales of goods" [2].

Therefore, the emergence of the specified types of receivables is due to the peculiarities of business processes. Issues of information support for settlements with business clients are constantly in the center of attention of scientists, practitioners, and students. Scientist O. Lysak emphasizes that "in the course of economic activity, appropriate relationships arise between enterprises, organizations, budgetary institutions, individuals and other entities that have the character of monetary settlements" [7]. The scientist explains the emergence of accounts receivable by the fact that "relationships are accompanied by settlement transactions, which are a prerequisite for the emergence of an objective economic phenomenon" [7]. Maiboroda O.E., Kosareva I.P. and Korabeynikova I.O. notes that "receivables are debts of other enterprises or individuals for payments to this enterprise" [8].

Mulyk T.O. focuses attention on the fact that the company's receivables are an important component of its assets, as well as "debts to the company from debtors, i.e. its customers who have been supplied or provided goods, works or services that have not yet been paid for" [10]. Specialists Maiboroda O.E., Kosareva I.P. and Korabeynikova I.O. note that accounts receivable means the right of a business entity

"to receive cash, material resources that have not been paid by counterparties, and can be used to assess the financial condition of the enterprise based on the calculation of indicators of its effective activity" [8]. However, scientists emphasize that the occurrence of accounts receivable is associated with a negative phenomenon - its untimely repayment or non-repayment at all. According to scientists, "accounts receivable causes temporary withdrawal of the working capital of the enterprise and a decrease in its level of turnover" [8].

Scientist Bondarchuk N.V. and student Timashova A.M. note that "when making managerial decisions regarding the management of receivables, one should take into account all the factors and reasons that affect the occurrence of such debts" [1]. Mulyk T.O. determines that "non-observance of contractual and settlement discipline, untimely submission of claims regarding arising debts, lead to a significant increase in unjustified receivables" [10]. The scientist focuses on the fact that this leads to the "instability of the financial state of the business enterprise" [10]. Specialists Maiboroda O.E., Kosareva I.P. and Korabeynikova I.O. among the reasons for the increase in debtors' indebtedness, they identify "the current state of the economy, increasing competition among enterprises of all industries, combined with a high number of unreliable counterparties and a low level of financial discipline of enterprises" [8].

Scientists believe that the study of the factors that shape the composition of receivables in terms of their overdue and transfer to the composition of bad debt deserves special attention. The work of scientists regarding the factors forming the composition of receivables is summarized in fig. 1. The occurrence of a large volume accounts receivable is the result of:

- provision of services by the enterprise on credit without discussing prepayment or not a significant percentage of it;
- provision of a long term for payment for goods and services;
- cooperation with dubious partners;
- non-detailed tracking of return debtor debt, etc.

Each of these possible problems drags on are a number of issues that are also complications for the enterprise and carry negative consequences consequences. Repayment of receivables it becomes more and more difficult to control the weight taking into account the fact that not all enterprises have the possibility the ability to communicate and establish relationships with the heads of other enterprises, whatever



also cause a lack of reliable information about the state of affairs at the enterprise, which is a debtor. Growth of receivables can also arise as a result of used inefficient credit policy on enterprise, a significant increase in the volume of taxes, lack of information about partial or complete insolvency of buyers etc.

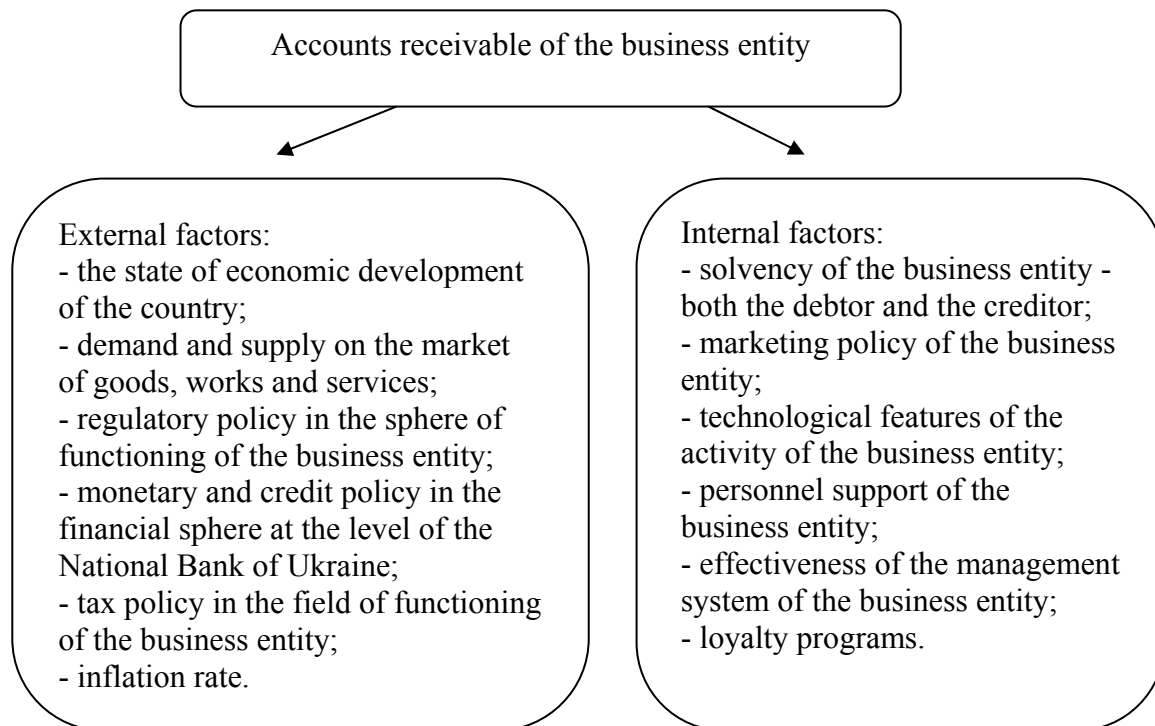


Fig. 1. Factors forming the composition of receivables

Source: compiled by the author according to [21]

The composition of the receivables of the business entity is formed by various factors of the internal and external environment, the study of which should be the basis of the receivables management system at the enterprise. We will analyze the theoretical aspects of the formation of accounts receivable as an object of accounting and analytical support of the management system at the enterprise. It should be noted that in an ideal case, the company should not allow receivables to arise. However, in the conditions of a market economy, it is practically impossible to carry out financial and economic activities without such immobilization of part of the resources in receivables.

Specialists Maiboroda O.E., Kosareva I.P. and Korabeynikova I.O. note the importance of receivables management is one of the "necessary conditions for successful activity, as it creates prerequisites for rapid business growth and increasing the financial capabilities of the enterprise" [8]. Scientist Bondarchuk N.V. and

student Timashova A.M. note that it is important to "effective and timely management of receivables at each individual enterprise, which should be aimed at optimizing the size of the debt and ensuring the acceleration of its turnover" [1]. Yaremenko L.M. emphasizes that "the financial condition of the enterprise and its stability depend on the effective management of receivables" [21].

We support the opinion of T. O. Mulyk that "under modern economic conditions, the responsibility and independence of enterprises are increasing, related to the development and adoption of management decisions regarding proper work with various debtors" [10]. L.M. Yaremenko emphasizes that "the management of receivables is one of the most relevant aspects of the company's management, which requires daily monitoring of its condition and effective decision-making" [21]. It should be noted that receivables have a dual nature. On the one hand, the presence of receivables indicates the presence of potential income and increased liquidity, and on the other hand, the company cannot work effectively with any amount of receivables, as it represents immobilized funds, that is, abstract from economic turnover. The optimization of receivables at the enterprise is closely interconnected with the optimization of the size and security of collection of customers' debts. To achieve the goals of effective management of this debt, it is advisable to develop and implement a special financial policy for managing receivables. Scientists emphasize the problematic aspects of the company's accounts receivable management, which is summarized in Fig. 2.

As we can see from the figure, the lack of effective accounting and analytical tools for high-quality information support of the receivables management system is highlighted among the problematic aspects of the company's receivables management. The lack of repayment of receivables by one or several debtors for a long period of time leads to a deterioration of the debt structure from the point of view of increasing the risk of its transformation into doubtful, and subsequently into bad debt. Scientists emphasize the need for high-quality accounting tools for high-quality information support of the asset management system. In particular, Zinchenko O.V. and Krutyh O.V. note the strategic importance of the organizational aspects of accounting support for receivables at the enterprise. Yaremenko L.M. states that "managing the activities of any business entity is quite difficult without timely and reliable economic information" [21]. Scientists note that this affects "financial stability, the company's tax base, the formation of income and expenses and, as a

result, the achievement of strategic goals of its development in market conditions and ensuring competitiveness" [23].

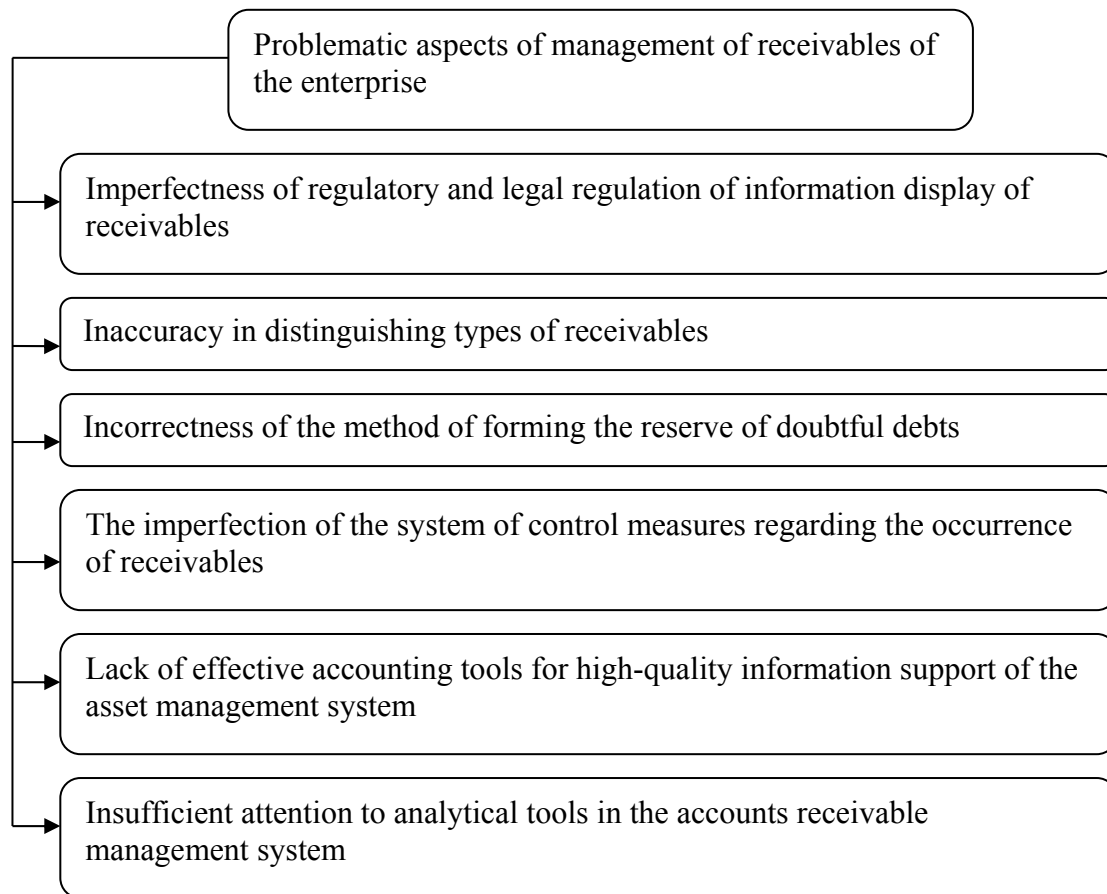


Fig. 2. Problematic aspects of management of receivables of the enterprise  
Source: compiled by the author according to [21]

Accounts receivable is an integral part of any successful business, but excessive amounts can lead to serious financial problems and, in some cases, bankruptcy. Therefore, an important component of the enterprise's activity is the implementation of effective management of receivables in order to accelerate its turnover and release additional financial resources that can be effectively used. Some managers clearly form all business processes related to providing customers with deferred payment, while some leave everything to their own devices. If the company, as seen in practice, does not pay due attention to the work with receivables, this will lead to bad consequences for the financial condition of the company. Both the turnover and the profitability of the company's current assets largely depend on the management of receivables. The management of receivables involves, first of all, control over the turnover of funds in calculations, as the acceleration of turnover in

the dynamics is considered a positive trend, the development and implementation of the policy of prices and commercial credits, aimed at accelerating the collection of debts and reducing the risk of non-payment.

We support the scientists' opinion that the effectiveness of the receivables management process affects the financial stability of the business entity. Scientists L.M. Tkachuk and Wenda Chen emphasize the increased requirements for managing receivables, because, according to the scientists, "untimely payments for goods and services lead to a decrease in the company's current assets and deterioration of its financial and economic condition as a whole" [20]. Scientists note that the management of receivables is a component of "the enterprise's marketing policy, which is aimed at expanding the volume of product sales and consists in optimizing the total size of this debt and ensuring its timely repayment" [20].

So, we can argue about the contradiction of management processes regarding receivables, because it is logical to increase the volume of revenue from sales, with the expansion of the circle of customers and the increase in shipment volumes, but at the same time, this leads to an increase in the number of cases of overdue receivables. For enterprises in crisis business conditions associated with the pandemic and war in the country, special attention should be paid to determining the ways of planning receivables, determining its limit and constantly monitoring its amounts in terms of the components of debt. The main aspects of the company's receivables management policy are shown in fig. 3. The receivables management policy is part of the company's general policy in the field of current assets management. This item of the balance sheet significantly affects other areas of the company's activity, and competent financial management when working with receivables will help the company to effectively use its resources and significantly increase trade turnover. Therefore, a special place in the work of enterprises should be given to accounting and control of the state of receivables.

The effectiveness of managing receivables at the enterprise depends on many factors, in particular:

- that the management has complete and reliable information about the terms of repayment of obligations by companies to debtors;
- implementation and use of clear regulations for dealing with overdue and doubtful receivables;
- the management has the necessary data on the growth of costs associated

with the increase in the amount of receivables and their turnover;

— timely and permanent assessment of the creditworthiness of each buyer and assessment of the need for commercial lending;

— a clear division of the function of cash collection, analysis of receivables and adoption of a decision on granting a loan between different departments;

— a clear division of responsibility and control over the performance of work and, as a result, the lack of integrity of cooperation;

— the presence of too much customer debt;

— availability of a sufficient amount of reserve doubtful debts;

— lack of return control or the repayment period is too long.

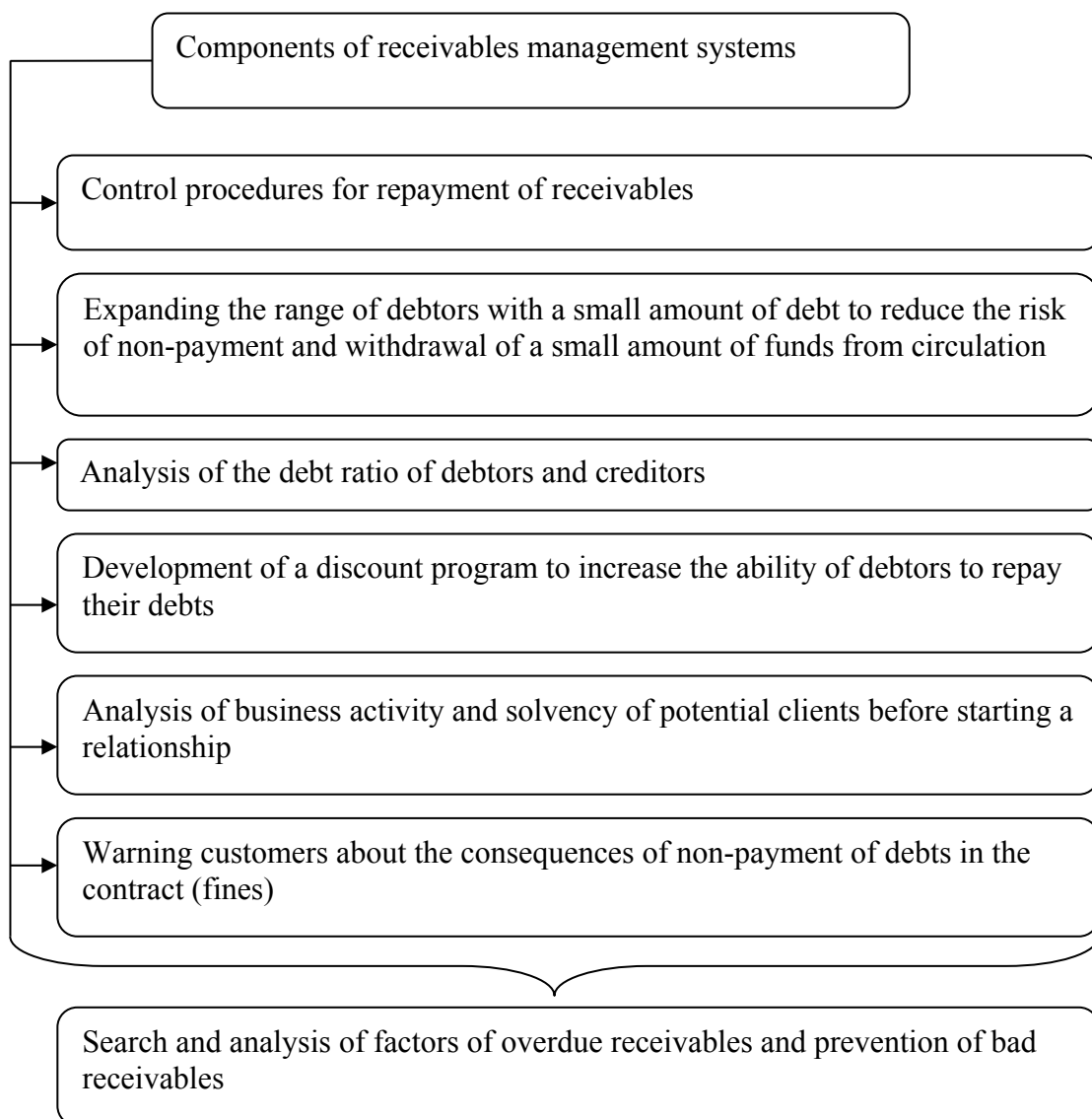


Fig. 3. The company's receivables management policy

Source: compiled by the author according to [20]

Management of receivables is an important element of financial work at the enterprise and can be both an effective tool for stimulating sales activity and negatively affect the financial result of the enterprise. The management of the company's receivables involves making managerial decisions regarding economically contradictory processes: the growth of overdue and doubtful receivables on the one hand, and the increase in sales volumes on the other. Under such conditions, receivables from buyers and customers actually become an interest-free loan for them. In market economic conditions, the main goal of managing receivables is to minimize its volume and the terms of debt collection, since the untimely paid amount of funds for finished products will partially lose its value in the following years due to the influence of inflationary processes. Also, the delay in payments for the products sold (services provided) negatively affects the results of the financial and economic activity of the enterprise as a whole, since any enterprise bears the obligation to pay mandatory payments that do not depend on the financial result of its activity (staff wages, utilities payments, mandatory taxes and fees, etc.). Therefore, the company's effective policy on managing receivables is directly related to optimizing its size and ensuring timely debt collection.

Given the fact that accounts receivable are part of the company's assets and influence the determination of the economy's financial condition, its management as a part of current and non-current assets is one of the main and complex elements. Legal aspects of the organization of regulatory and legal registration of settlements with debtors are quite clearly defined by the laws of Ukraine, resolutions of the Cabinet of Ministers, orders of ministries, agencies, the State Tax Service, and the National Bank of Ukraine.

Regulatory and legal regulation of accounting and analytical support is an important component of the company's receivables management system, since all business entities conduct business in compliance with the requirements of the law. Scientists O.V. Zinchenko and Krutyh O.V. note the "contradictions of the normative-legislative framework for regulating the economic activity of enterprises. Contradictions found in regulatory documents lead to errors in accounting practice" [23]. Separate regulatory acts contain recommendations on the construction of accounting, which are laid as a basis for local regulatory acts at the level of a separate business entity. We will analyze the regulatory and legal regulation of accounting and analysis of receivables of enterprises.

Accounting support of business processes of business entities in the country is carried out in accordance with the requirements of the Law of Ukraine "On Accounting" [22]. The law contains mandatory questions regarding the organizational aspects of the accounting of business entities. Also, in order to generalize information about business operations, all enterprises use the system of accounting accounts set forth in the regulatory documents "Plan of accounts for accounting of assets, capital, liabilities and economic operations of enterprises and organizations" [14] and "Instructions for the application of the Plan of accounts for accounting of assets , capital, liabilities and economic operations of enterprises and organizations" [4].

Each set of transactions refers to a separate accounting direction, which is regulated by the relevant National Regulation (standard) of accounting. In particular, the accounting support of operations related to the occurrence of receivables is carried out according to the methodology outlined in the National Accounting Regulations (standard) 10 "Receivables" [12] and 15 "Income" [13]. These regulations determine the simultaneous recognition of receivables and income from sales. National Regulation (standards) of accounting 1 "General requirements for financial reporting" [11] defines the rules for displaying information about receivables in the company's financial statements. The issue of taxation of settlements with debtors is regulated by the Tax Code of Ukraine [15].

To regulate accounting issues at the enterprise level, legislation regulates the possibility and necessity of drawing up an Order on the accounting policy of a separate business entity, which takes into account both the requirements of the law and the specifics of business activity. In this local document, the company chooses accounting tools that are optimal for management needs.

The issue of analytical support is not regulated at the legislative level. Specialists have worked on the toolkit of analytical procedures, but the legislation, in contrast, does not define the obligation of these procedures. Therefore, the business entity independently chooses methodical techniques for analytical support of business processes. The management implements its decisions on the basis of the Internal Regulations on Control and Analytical Measures at the Enterprise and the Order on Accounting Policy.

Normative regulation of accounting and analytical provision of receivables of the enterprise is summarized in fig. 4. The ability to correctly use various regulatory and legal acts, which sometimes conflict with each other, helps to organize

accounting at the appropriate level, as well as to perform an analysis of receivables in a timely manner. Such actions contribute to increasing the efficiency of management decision-making at the enterprise.

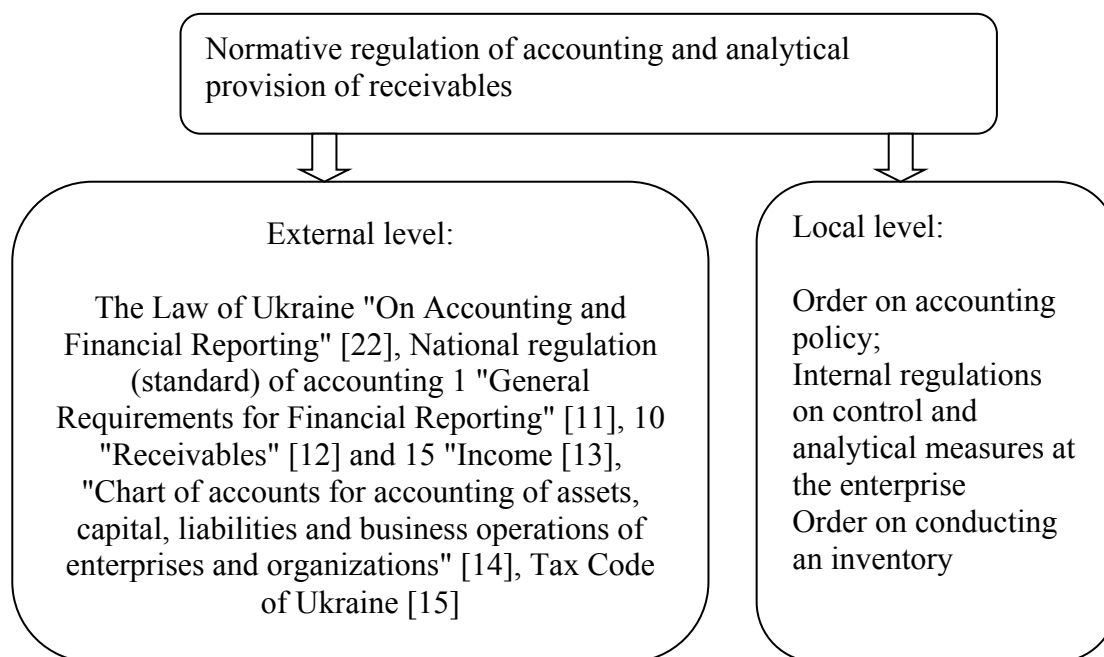


Fig. 4. Normative regulation of accounting and analytical provision of receivables of the enterprise

The adoption of effective management decisions is based primarily on the manager's information provision regarding the object and subject of management. Enterprise debt management should be based on objective, timely, reliable, understandable and comparable information regarding its volume, dynamics, structure and other qualitative and quantitative characteristics. Such information can be obtained as a result of data analysis of analytical and synthetic accounting, as well as public financial and internal management reporting of the enterprise. Therefore, accounting data and their analysis are accounting and analytical support for managing the company's debt.

Accounting and analytical support for enterprise debt management is, in its essence, a system of collecting, forming accounting information and processing it with the help of economic analysis with subsequent transfer to the management of the enterprise for making management decisions in order to avoid unwanted financial risks and bring the amount of debt to acceptable levels that will not negative impact on the financial and property status and further development of the enterprise. The



usefulness of information for management is determined primarily by its qualitative characteristics: comprehensibility, expediency, materiality, reliability, essence forms, neutrality, prudence, completeness, comparability, timeliness and economic feasibility. The comprehensibility and appropriateness of information for management is achieved in the process of its processing, in particular, with the use of analysis methods, the results of which can be directly used during management decision-making.

The study of the methods of analyzing the company's indebtedness involves determining its purpose, object, subject, main tasks, sources of information and methodical methods of its implementation. The purpose of analyzing the company's debt, in our opinion, is to assess its size, composition, structure and other qualitative characteristics, the trends of their change in order to determine the impact on the financial and property status of the company and to prepare the information basis for its management. Therefore, the object of debt analysis is its quantitative and qualitative characteristics, and the subject is the cause-and-effect relationships between them and other economic phenomena and processes at the enterprise, namely, the factors that determine the quantitative and qualitative characteristics of debt, as well as the influence debts on the financial and property status of the enterprise. If we consider the analysis of the company's debt for the purpose of its management, then the subjects of such analysis are persons internal to the company - managers, analysts, accountants and other employees of its financial and economic divisions. Such employees can have full access to the internal information system of the enterprise, the basis of which in the financial aspect is the accounting system.

Modern information technologies of accounting automation make it possible to achieve a high level of analytical information about any of its objects, in particular, about the company's debt. Such automated systems provide for the possibility of accounting for debt not only according to its value, but also taking into account qualitative characteristics - the date of origin, the type of counterparty, the object of the debt, or other characteristics of it, which embody the characteristics of classification. Thus, the accounting information system makes it possible at any time to make a selection of the necessary financial information according to the specified criteria in the form of turnover and balance information for its further analysis, reporting, etc. In case of insufficient analytical information, the subject of the analysis can directly use the primary documents that were used to formalize

settlement or other business operations that led to the emergence of debt.

Properly organized accounting should provide a reflection of economic activity with forced specification. The specified consequences of ignoring the problems of accounting for receivables require the development of appropriate ways of eliminating the identified aspects and the mechanism of their implementation in the activities of enterprises. The purpose of accounting for receivables is to search and analyze the factors that cause overdue receivables and prevent bad receivables. One of the problematic aspects is the lack of effective accounting tools for high-quality information support of the asset management system. In the conditions of digitization of accounting processes, the quality of the information resource for management needs is constantly increasing, so enterprise managers should decide how to use the information that is accumulated and summarized in an automated form.

Special attention should be paid to the management accounting system, which includes many aspects - both management reporting, a special project management toolkit, and the development of a mechanism for the formation of a quality information resource for the needs of managing a business entity. Therefore, financial accounting indicators are an important basis for management accounting, so attention should be paid to the necessary level of detail of information in terms of debtors, debt repayment terms, overdue terms, etc.

We consider it expedient to develop preventive measures to prevent cases of overdue receivables, to prevent bad receivables. Therefore, financial accounting data should be the basis of information for management reports for the needs of managing receivables. Data on debtors and the amount of their debts can be used in the reception of management accounting - ABC - analysis. Scientists Valentina Ivanenko, Tetyana Botsyan and Inna Klimova note that "the basis of ABC - analysis (Activity-Based Costing) is the Pareto principle (Pareto's law, the 80/20 rule, the law of the "important minority")" [5]. ABC analysis is an effective tool in many areas of business activity. The specified Pareto principle in the context of settlements with buyers and customers is interpreted as follows: 20% of the buyers and customers of the business entity form 80% of the income from the sale of products and services. Therefore, "the use of the Pareto principle allows you to focus your energy in the right places to get the best results" [5].

As the scientists note, "ABS - the analysis is carried out according to one of the criteria, based on the contribution of each item to the total profit or revenue (sales)"

[5]. For ABC analysis in the context of settlements with buyers, it is advisable to analyze the amount of income from sales to specific buyers and customers and make a ranking of the profitability indicator. As Tyuleneva Yu.V and Maistrenko N.V emphasize, "the groups determined during the analysis have different characteristics and require unequal management" [19]. At the same time, it is advisable to take into account both objective and subjective factors that affect the amount of income from the sale of products and services, in particular, the conditions and peculiarities of entrepreneurial activity, therefore "partial boundaries of categories are individual for individual organizations and determined by the specifics of business -processes and depend on a certain set of factors" [19].

As a rule, selected individual buyers and customers are analyzed according to quantitative indicators - the amount of income from sales, as well as qualitative indicators - the specific weight of the amount of income from an individual client in the total amount of revenue from the sale of products and services. An important calculation indicator is the cumulative indicator, that is, the accumulated specific weight, by which groups of customers are distinguished in accordance with the threshold according to the Pareto principle - 80%. The results of ABC - the analysis of receivables help to rank debtors, which allows you to single out those who provide 80% of sales revenue. Conditionally, these enterprises are assigned to group A, the so-called elite group, to which the efforts of marketers should be directed in terms of loyalty programs, support of mutually beneficial partnerships. If these debtors end up on the list of debtors, debt restructuring measures should be developed, since failure to return such a large specific weight of financial resources will lead to a decrease in the company's solvency.

Debtors belonging to group B also deserve the attention of managers, because according to the rules of ABC analysis, such debtors can become members of group A in the presence of favorable conditions. Therefore, the task of managers is to involve debtors of group B in the marketing policy in order to create favorable conditions precisely by this to customers. The results of ABC - analysis of receivables allow to develop preventive measures to prevent cases of overdue receivables and bad receivables.

Analytical support is an important tool of the management system at the enterprise. In the context of accounts receivable management, the actions of managers cover both the company's marketing policy and accounting tools, and

provide for the organization of optimal analytical support. Researching the opinions of scientists regarding methodological aspects of analytical support will help to single out specific ways of the receivables management algorithm.

We support the opinion of T.O. Mulyk that the toolkit of economic analysis is an important component of the receivables management system. As experts note, the analytical toolkit helps "evaluate the efficiency and balance of settlements with buyers and other debtors, the rationale for providing discounts and merchandise credit to buyers" [10]. Scientist Bondarchuk N.V. and student Timashova A.M. determine the purpose of analytical procedures to study such indicators as "the quality of receivables according to general and partial indicators, identifying factors, as well as establishing the reasons for their change" [1].

To date, untimely repayment of receivables is one of the most acute and painful issues in the economy of Ukraine. The presence of such circumstances slows down the development of the market system, and is also a significant problem, especially at the current stage of development, for the national economy as a whole. The reason for these trends is an acute shortage of financial resources, primarily related to inflationary processes. In addition, there are a number of negative factors under the influence of which there is a decrease in the business activity of the enterprise, as well as a decrease in its solvency, which, as a result, provokes a crisis state of economic entities.

The default crisis manifests itself in the form of a chain reaction, when untimely repaid receivables impair the solvency of the enterprise, and it cannot settle with its creditors. Subjects to whom such an enterprise owes money also find themselves in a difficult financial situation and, in turn, pay their debts on time. In our country, this phenomenon is taking on a nationwide scale and requires the development of a set of effective anti-crisis measures.

One of the effective tools for managing receivables is a properly organized system of accounting for settlements with buyers and customers. A significant drawback of the modern system of accounting for accounts receivable is its detachment from the needs of the management system. The integration of these two systems will allow taking a number of measures already at the stage of planning receivables. Measures to organize accounting and management of receivables can be divided into preventive, current and final. Preventive measures are carried out at the stage of planning receivables, they consist in choosing a method of cooperation with

individual debtors to form the so-called portfolio of receivables. This concept refers to a list of debtors with a definition of the critical permissible value of their indebtedness to the enterprise. In this way, the total amount of receivables is planned, which will not disturb the solvency of the enterprise and other financial indicators. At this stage, the reserve of doubtful debts is determined.

Current measures consist in the organization of a system of operational accounting of the occurrence and repayment of receivables for individual buyers and customers with automated accounting of the number of days from the date of occurrence of the debt, the remaining days until its maturity and the number of days overdue. Final measures must be taken during the period of repayment (or late repayment), they include reminding buyers of the need to pay, charging fines for late payment, analyzing losses associated with slowing down the turnover of funds in the event of untimely repayment of receivables, adjusting calculations for calculating the reserve for doubtful accounts debts.

The company, as a business entity, needs to pay important attention to working with contracts. It should be organized at the appropriate level. First of all, during the development of contracts, flexible payment terms between counterparties should be developed and thought through. For example, you can give discounts to buyers when they make early payment, which in the long run will lead to increased sales and faster turnover of the company's capital. An equally important element during the implementation of entrepreneurial activity is the proper management of the enterprise, as well as the provision of sufficient control. This primarily concerns the timely submission of claims to buyers and customers regarding the payment of goods, works, and services, as well as constant, meticulous control over overdue debts, so that, if necessary, in a timely manner within the time limits specified by law, they can apply to the court for the protection of their rights and legitimate interests

Due to the complexity of business processes and increased competition, management personnel should pay due attention to ensuring an acceptable level of solvency of the business entity. This indicator of the ability to repay obligations and stable development is an active management tool, because the potential provision of an acceptable level of solvency is possible under the condition of positive characteristics in the functioning of such management accounting objects as cash, types of receivables, types of current liabilities. Given the complexity and systematicity of approaches to solvency management, there is a need for relevant

analytical information about the listed accounting objects among management personnel. Making decisions on ensuring the appropriate level of solvency of the business entity is extremely important in the framework of ensuring its further functioning, which makes it possible to talk about the relative permanence and periodic necessity of this process. Thus, relevant data for assessing the level of solvency can serve as information indicators during the organization of analytical accounting of receivables.

Scientists O. Polishchuk, V. Bobko and V. Melnyk stress that "the current state of enterprise settlements is characterized by an unsatisfactory level of payment discipline of subjects of economic activity and requires strengthening of their control" [16]. According to experts, with the help of analytical support, "it is possible to identify areas in which it is advisable to make certain efforts to return debts; the basis for creating a reserve of doubtful debts is determined" [10]. Analytical support is closely related to the process of forming an information resource, since it is accounting that ensures the completeness, timeliness and quality of data for research and management decision-making. Mulyk T.O. emphasizes that "first of all, accounting data serve as the information basis for analytical assessment of receivables, as well as for proper and effective management thereof" [10]. Specialists Bondarchuk N.V. Timashova A.M. emphasize that "correct accounting and timely analysis reduce the amount of receivables at enterprises" [1]. Specialists Zinchenko O.V. and Krutyh O. stress that in the process of planning analytical tools, "the detailing of... information... is essential for displaying accounts receivable according to such features as composition, settlement currency, repayment terms, types of products, security" [23].

We support the experts' opinion that "calculations with counterparties are dynamic in nature, and therefore require constant control and influence by management personnel in the general management system of the enterprise" [18]. Therefore, accounting and analytical support is the basis for the process of making reasonable and optimal management decisions. The task of analytical provision of receivables is highlighted in fig. 5. Scientists emphasize that to "maintain the optimal level of liquidity and solvency of enterprises operating in market conditions, there is an effective management of receivables" [16]. In the process of applying analytical procedures, it is possible to single out directions that will help "not only to reduce the amount of overdue receivables, but also not to lose customers and increase the

volume of sales of goods" [2].

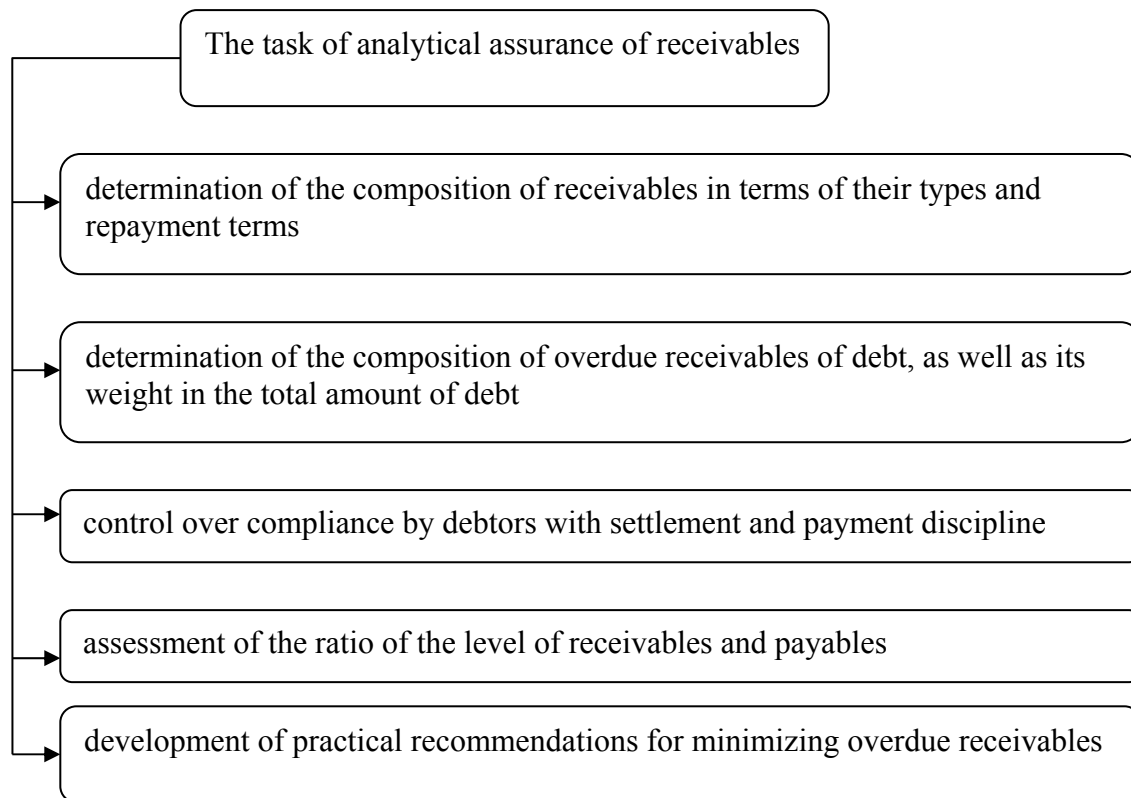


Fig. 5. The task of analytical assurance of receivables

The following can be noted as the results of effective analytical support for receivables management:

- strengthening control over the amount and repayment terms of receivables;
- development of effective loyalty programs for individual debtors;
- improvement of the accounting and payment discipline of the business entity;
- planning measures for the restructuring of significant receivables;
- introduction of effective schemes for the prevention of overdue, doubtful and hopeless receivables.

Summarizing the opinions of specialists regarding the methodological aspects of analytical support for the management of receivables made it possible to draw a conclusion about the need to develop effective analytical procedures in the management system of any business entity. The analytical toolkit for the needs of managing receivables at the enterprise is quite diverse and requires managers to involve both methods of statistical analysis and methods of project management. Mulyk T.O. notes that when researching accounts receivable indicators, "the composition and structure of the company's accounts receivable, the system of

indicators of the use of debt, its turnover are calculated" [10].

Traditional methods and procedures are usually used to analyze receivables, and analytical indicators are calculated, which must be given an economic interpretation. The analysis of accounts receivable indicators is considered in the context of the analysis of other objects, at the same time, this accounting object deserves special attention, therefore, the results of the analysis should satisfy the information needs of users of financial statements. Given this in the methodology analysis, the system of indicators that characterize the state of receivables is important. There should be a relationship between information on the state of receivables for the reporting period, the general direction of changes in the amount of debt, the decisions made, which will make it possible to evaluate the results of the enterprise's activities, the effectiveness of management decisions for past periods and forecast activities for the future period.

Management decisions are made on the basis of accounting information, and therefore, their quality depends on the quality of the information used. The purpose of the analysis of current receivables is to assess the level, dynamics, structure, liquidity, credit policy, efficiency of investment in receivables of financial means, determination of actual outstanding debt for previous periods. Sources of accounts receivable analysis are the company's balance sheet, notes to financial statements, analytical and synthetic accounting data, regulatory and methodological documents on accounting, inventory, control, and internal reporting.

In general, to improve the efficiency of management laziness and as a result reducing the size of the debtors debt, corresponding to the company the assistance of specialists is necessary on an ongoing basis carry out such measures as:

- determination of the degree of risk of non-payment of debt Hunks by buyers;
- increase in the number of buyers (debtors) in order to minimize losses from non-payment;
- conducting operational control over cash flows to the company's accounts;
- analysis of solvency and reliability potential buyers;
- determination of possibility and necessity application of the credit policy in relation to the of buyers of products and the formation of its principles characteristics and conditions; — analysis of the structure and dynamics of debtors which debts of the enterprise in the previous ones periods and clear planning for the future;



- timely determination of the size of the doubtful debts;
- conducting claim work;
- control over the fulfillment of payment conditions according to contracts and immediate termination of cooperation with buyers who violate them;
- timely detection of inadmissible items by the enterprise's types of accounts receivable indebtedness.

Specialists direct attention to the study of the dynamics of indicators that characterize the financial state of the enterprise. According to E. V. Mishchuk and I. I. Sidorova, "the ratio of receivables and payables, i.e. withdrawn from the circulation of monetary capital and attracted capital as a source of financing current payments, is important" [9]. Scientists consider the comparison of both types of debt to be an important component of the analytical toolkit. We support the statement of the scientists that "the excess of receivables over payables means diversion of funds from economic turnover and in the future may lead to the need to attract expensive bank loans and loans" [9]. The excess of receivables over payables indicates the need to accumulate other resources to finance one's own business needs, insufficiently qualified selection of potential debtors when planning relationships, the need to improve marketing policy and develop a strategy for managing receivables at the enterprise in the context of reducing cases of overdue or non-payment. At the same time, the opposite situation may arise, i.e. the amount of receivables will be greater than that of creditors, which, according to scientists, "is not positive for the enterprise, since it is obliged to settle debts to creditors regardless of whether it receives debts from its debtors, or not" [9].

In order to effectively manage the debts of the business entity, it is necessary to systematically carry out its analytical assessment and control over the changes occurring in the field of debts. First of all, the company's management will be interested in information on:

- the size, dynamics, composition and structure of its debt;
- quality of debt;
- reasons that led to the occurrence and existence (non-repayment) debts;
- the frequency of occurrence and repayment of debt;
- influence of indebtedness on the financial condition of the enterprise;
- expediency of investing funds in the company's debt, etc.

Analytical tools are chosen by the manager independently in accordance with

the chosen goal, the company's development strategy, tactical tasks, therefore the choice of the receivables management tool is an important component of the management system of the business entity. We consider it expedient to use information modeling methods, which involve the analysis of available information and the development of an algorithm of actions to achieve the set goal. One of such tools of project management is SWOT analysis, which involves identifying the company's strengths and weaknesses, as well as threats and opportunities. This information is summarized in a matrix. The specified methodical approach to the analytical provision of receivables management in the part of information modeling based on the results of the constructed SWOT matrix - analysis will allow, in the conditions of the available capabilities of the enterprise, to optimize management decisions to overcome threats based on strengths and taking into account weaknesses.

In the process of organizing debt analysis, it is necessary to separately assess and study the existence, composition and structure of the company's debt, its frequency, quality and reasons for its occurrence, including overdue debt. To study the composition and structure of indebtedness, its dynamics, it is appropriate to compile special analytical tables, graphs, and drawings.

Rationalization of debt management information support is a process of its improvement aimed at making more effective management decisions, improving the company's activities, its competitiveness and profitability, creating conditions for ensuring the economic security of the economic entity and the stability of its activities in the future.

The anti-crisis management system should provide a proper approach to the company's debt in order to effectively manage it, ensure the optimal ratio between receivables and payables, prevent overdue debts from arising, systematically monitor payments, etc. In order to effectively manage the debts of the business entity, it is necessary to systematically carry out its analytical assessment and control over the changes occurring in the field of debts. Analytical provision of debt in the anti-crisis management system should be aimed at meeting the informational needs of management when making management decisions regarding the occurrence or repayment of debt. Only on the basis of unbiased and timely information can effective management decisions regarding debt be made.

Measures to rationalize information support for debt management are proposed to be implemented as follows:

- analysis of the composition, structure and dynamics of changes in the company's debt;
- monitoring of economic and financial activities of potential debtors and creditors, rating their creditworthiness;
- calculation of the term and volume of commercial credit provided to buyers and substantiation of the optimal term for granting deferred payment of bills;
- justification of the expediency of receiving a postponement of the payment of supplier invoices and the optimal term of such a postponement;
- use of modern forms of refinancing of receivables;
- prevention of the formation of bad and overdue debts;
- construction of effective systems of control over movement and timely repayment of the company's debt;
- development of the company's debt management plan.

The consequence of the implementation of these measures in the practice of enterprises should be: ensuring the uninterrupted work of business entities; acceleration of circulation of current assets; maximization of the business entity's profit; improvement its competitiveness, increasing the level of economic security, etc.

As a result of managers' choice of analytical tools for the needs of managing receivables, it is advisable to systematize them in the form of a certain sequence of actions. The proposed algorithm for analytical support of receivables management is shown in fig. 6. The specified organizational approach to analytical support of receivables management through the developed algorithm provides for specific measures to minimize overdue receivables. The improvement of the economic and financial tools of the receivables management system involves the development of effective mechanisms aimed at optimizing the volume and structure of debts, the formation of effective principles and standards of credit policy aimed at increasing the efficiency of the use of the enterprise's capital invested in receivables, as well as the construction of an effective collection management system accounts receivable debt with the optimal speed of its repayment, minimal risks and maximum result for the enterprise.

The receivables management system must be used as a tool to increase sales, and a set of measures aimed at reducing the risk of overdue or bad receivables. Each enterprise can choose a way of regulating the management of its activities: from the

absence of any rules to strict regulation of work principles and basic economic processes. It is necessary to pay attention to the impossibility of perfect processing and preparation of information for making management decisions without implementing a management accounting policy at every enterprise. This policy must be regulated by the document "Order on the policy of management accounting at the enterprise", which will include such sections as management accounting of assets, management accounting of equity and management accounting of liabilities. The formation of requirements for the management accounting of receivables will be reflected in the subsection of the proposed order as the management accounting of current assets of the enterprise. Such a section should regulate the need to introduce relevant internal management accounting standards.

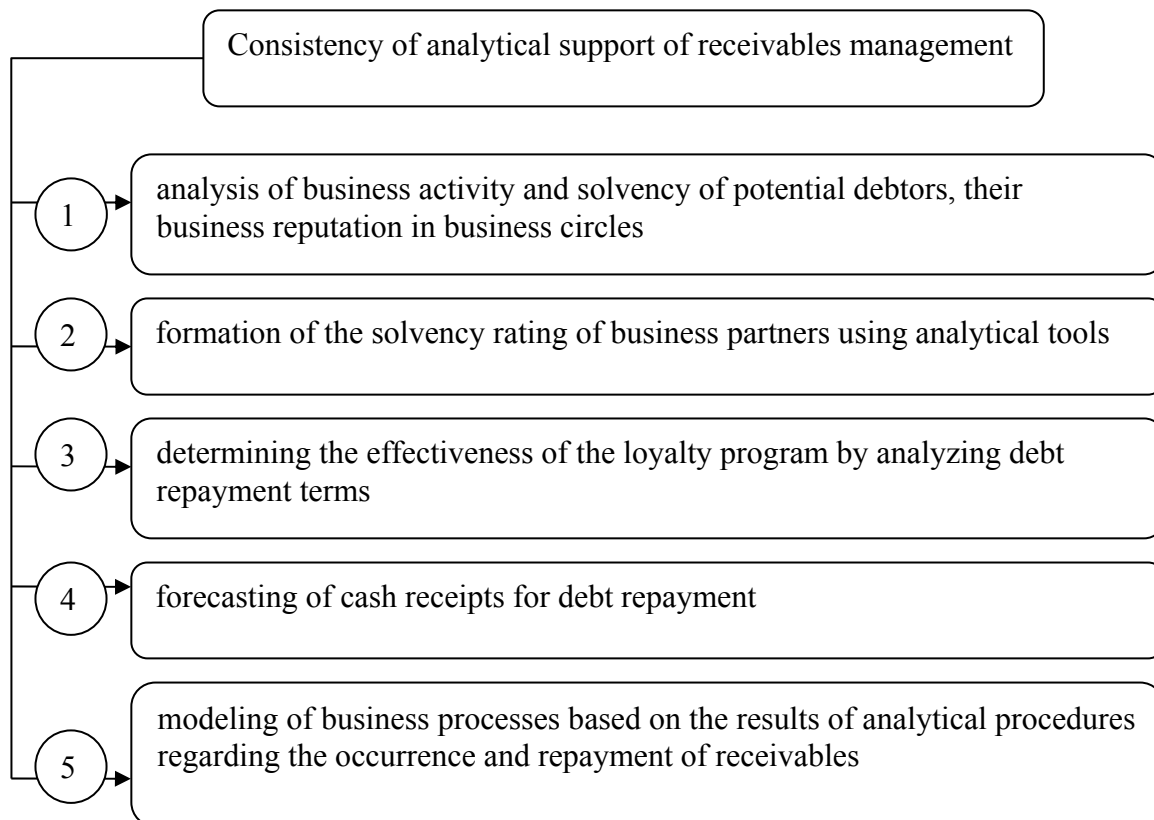


Fig. 6. The proposed algorithm for analytical support of receivables management

The decision regarding the internal standardization of management accounting at the enterprise must go through several stages:

- 1) determination of areas of activity that need to be standardized;
- 2) development of relevant standards;
- 3) coordination of developed standards;

- 4) implementation of agreed standards;
- 5) the term of the test (experiment) of the implemented standards;
- 6) audit of implemented standards.

In order to accelerate the collection of receivables and prevent their increase in the future, it is necessary to develop a clear plan of actions, focused in an internal document. In the management accounting standard for receivables, it is necessary to specify such components as the purpose and purpose of the standard, scope of application, interpretation of abbreviations, responsible persons, description of the process of selling goods (input and output data, process flow), notes, regulatory references, documentation, performance criteria (target achievement indicators).

The description of the receivables origination process should contain such elements as the analysis of the actual state of the receivables of the enterprise, the analysis of the state of the receivables in the market, the analysis of customers (the financial status of the reports, their position in the market, the availability of unofficial data), the choice of the type of credit policy (loyal, moderate , aggressive) and detailed justification of the choice, classification grouping of customers, application of discounts for shortening the settlement period and fines for its violation.

Accounts receivable management is carried out in two directions: management of the company's credit policy, where accounts receivable is a tool for increasing product sales, and an operational account receivable management policy aimed at reducing the risk of overdue or bad accounts receivable. Therefore, it is important to determine the main aspects of the process of planning, budgeting and monitoring of receivables.

It is important to control the status of settlements with debtors in order to reduce and repay deferred or overdue debts. Diversification of debtors means increasing the number of small debtors to minimize the risk of non-payment of debts by one or several large debtors. Control over the ratio of debt to creditors and debtors involves preventing the growth of receivables compared to payables, which negatively affects the financial stability of the enterprise. An effective method of managing receivables is the offer of discounts for early repayment of the debt, which makes it possible to get a profit early, its amount will be greater than the amount of the discount provided.

The assessment of the debtor includes an analysis of the solvency and business

reputation of customers, and it is advisable to apply prepayment when the threat of late repayment of receivables is detected. Limiting receivables means determining the maximum allowable amounts of customer credit, for example, when selling goods on credit. Important aspects of receivables management are the regulation of contractual relations between participants, which involves the inclusion in contracts of the conditions for the application of sanctions in case of breach of obligations. Also, an effective method of managing receivables is outsourcing - the transfer of obligations to intermediaries who specialize in certain types of activities and have for this, there are sufficient resources and opportunities, which is especially relevant for small and medium-sized businesses that do not have enough resources to separate divisions for work with debtors.

The management of receivables involves not only its minimization or refinancing, but also the process of interaction with debtors, since it is important for the enterprise not only to reduce the amount of receivables, but to cooperate with customers in order to expand the business. Thus, in the conditions of a crisis of non-payment, the process of planning and controlling debt collection is important for the enterprise, otherwise the amount of receivables may exceed an economically feasible level, which will lead to a decrease in the amount of cash, the appearance of doubtful debts, and, as a result, a decrease in revenue from the sale of products and the profit of the enterprise.

It is advisable to establish the maximum possible amount of receivables, at which the indicators of liquidity and solvency of the enterprise are not significantly negatively affected. It is also necessary to conduct a structural analysis of receivables by types of debt, maturity dates, size and customers. At the same time, it is important to analyze permissible, doubtful, overdue and hopeless receivables, since each of these types requires different management approaches. The most effective is the current management of receivables in order to prevent their accumulation and transition to the category of overdue and bad. For this purpose, it is advisable for the enterprise to regularly carry out an inventory of settlements with customers in order to determine the amounts of unreconciled receivables and payables, the amount of bad debts and the amount of receivables and payables, for which the statute of limitations has expired. The process of managing receivables is continuous, therefore, at the final stage of control, it is advisable to determine a set of measures to eliminate the reasons that led to the occurrence of overdue and hopeless receivables and

compare the results obtained with the planned indicators of the permissible amount of receivables.

Accounting practice shows that many enterprises do not create a reserve for doubtful debts at all, considering that there is no need for this. Others calculate it quite roughly. Others take on the most complex calculations, but they are a minority. Enterprises - creditors, in order to avoid losses from taxation, need to create reserves of doubtful debts. This arises as a result of the fact that the enterprise has many questions: is it necessary to create a reserve at all; what is the basis of recognition, in relation to which debt a reserve is created; what can be the size of the reserve, etc. The basis for creating reserves of doubtful debts is the results of the inventory of receivables. The procedure for carrying out such planned inventories, in particular the frequency of their carrying out, should also be determined by the farm's accounting policy.

It is also advisable to refinance part of the receivables to enterprises in order to optimize their size and structure. The main purpose of refinancing is to accelerate the transformation of receivables into other forms of current assets of the enterprise, such as cash, liquid short-term securities, etc. We believe that in order to ensure a timely and high-quality inventory of settlements, it is necessary in the job description of the accountant of financial and settlement operations to oblige him to prepare a debt reconciliation report at the end of each month and send it to counterparties. This part of the work with counterparties can also be applied at the stage of signing contracts, providing for the conditions for conducting an inventory as a separate item. The appropriately prepared act of reconciliation must bear the signature of the accountant dealing with settlement accounting, the chief accountant, the visas of the members of the inventory commission, sales or supply department.

Today, the most common methods of refinancing receivables used by enterprises are:

1) spontaneous financing — application of special discounts for buyers for early settlement (in case of payment for the provided goods and services until the end of the specified period, the buyer has the right to receive a discount);

2) keeping records of promissory notes — the method consists in the fact that the company sells existing promissory notes to the bank at a discount price; in this case, the amount of the discount may depend on the face value of the bills, their maturity date, or on the accounting bill rate;

3) factoring — concession by the bank seller (factor firm) of the right to receive funds under payment documents for products, while the bank (factor firm) reimburses the seller the main part of the amount owed on such payment documents, charging a certain percentage of commissions depending on the risk factor, the solvency of the buyer of the products and the stipulated terms of its payment.

Unfortunately, regardless of the size of the company at one point or another, each of them succumbs is affected by the financial crisis and feels its consequences. Therefore, to avoid significant losses, including a decrease in solvency and liquidity, the company's management should constantly improve its policy and introduce fundamentally new approaches proper management of receivables.

Using the results of the analysis, management personnel should take effective measures to cover the debt that has the longest delinquencies and the largest amount. The taken measures for the management of receivables are classified into the following groups:

- legal (claim work, pre-trial transcription, filing a lawsuit in the commercial court);
- economic (financial sanctions (fines, fines, penalties), pledge of property and property rights, suspension of supplies);
- psychological (reminders by phone, fax, mail, use of mass media or dissemination of information among suppliers, which threatens the loss of image);
- physical (seizure of the debtor's property, made by the state executive service or investigative bodies).

Thus, for enterprises in crisis business conditions associated with the pandemic and war in the country, special attention should be paid to determining the ways of planning receivables, determining its limit and constantly monitoring its amounts in terms of the components of debt. Special attention should be paid to the management accounting system, which includes many aspects - both management reporting, a special project management toolkit, and the development of a mechanism for the formation of a quality information resource for the needs of managing a business entity. In the conditions of the non-payment crisis, the growth of receivables is quite common. In this case, the formation of a reliable, mutually agreed system of accounting, control and management of receivables is of great importance, which will perform the protective function of the enterprise from exceeding the permissible level of non-payments, a decrease in cash flow, as well as the appearance of doubtful and



bad debts. The accounting of receivables at the enterprise requires careful attention and the development of individual approaches to each debtor. Non-compliance with the terms of contracts, untimely proof of claims for debts that have arisen lead to a large increase in receivables, and as a consequence to the difficult financial condition of the enterprise. Therefore, the effective management of receivables belongs to the list of conditions for the successful operation of any enterprise and the increase of its financial capabilities. Achieving the completeness and complexity of the improvement process is possible only in the case of close cooperation of the company's divisions and constant verification of existing and potential customers, their diversification, clear planning of the possible presence of debt and its continuous monitoring, as well as using recommended forms of refinancing (factoring, spontaneous refinancing, accounting of promissory notes) of receivables.

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## ***SECTION 3. ACCOUNTING AND ANALYTICAL PROVISION OF THE ENTERPRISE'S ECONOMIC SECURITY AND INFORMATION PROTECTION***

### **3.1. BASICS OF THE STRUCTURE OF THE FINANCIAL INVESTMENT MANAGEMENT PROCESS: RISK ANALYSIS AND CONTROL, THEIR INFLUENCE ON DECISION-MAKING**

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#### **Summary**

During the examination of the financial investment management process, the main division of participants into those who invest capital and those who seek to receive this capital was revealed. Among the main features of the process of managing financial investments, the need to build an investment policy of a business entity was identified, which would fix the main aspects of the entity's strategy both from the side of the investor and the object of investment, this in turn demonstrates to us an additional feature, which was established in the research process: each business entity performs several roles in the course of functioning, which have their own characteristics.

With the aim of forming a strategy and, accordingly, building an investment policy of a business entity, which would highlight the main decisions of investment activity, the risks that have a direct impact on the business entity were considered, their main forms of manifestation, causes of occurrence and methods of implementation were identified. A characteristic feature of risks in investing was the absence of "pure" risks: they always appear in two or more forms; simultaneously with the impact on the investment, the same risk can have an impact on the investor, which determines the need to build a system of countermeasures and prevention of risks while simultaneously accepting them for obtaining additional income.

Taking into account the risks that accompany the investment process and the investor's ability to accept them, through the assessment of the investor's risk profile,

the main strategies for managing financial investments are established, the methods of their implementation and their features are determined. Having considered the basics of the process of managing financial investments, we come to the conclusion that these basics can be used not only to determine the investment strategy of a business entity, but also to build control tools in order to counteract the dangers encountered.

**Keywords:** analysis, control, decision, financial investments, management, risks

The relevance of the research topic is that in modern conditions, every business entity needs to understand the mechanism of capital management, in the process of which a decision can be made about its withdrawal, reinvestment or investment. Financial investments are one of the forms of investment activity, the management of which is mostly not considered by domestic business entities as requiring significant attention. This is primarily due to the low development of the stock market, which significantly reduces the available financial instruments in which capital can be invested, and the presence of high risks associated with investing.

Financial investments are a form of carrying out investment activity that is characteristic of both large and small enterprises, and therefore, any business entity that has free capital can be interested in them. That is why the disclosure of the main components that make up the management of financial investments, both individually and as a whole, the disclosure of the essence and role of the subject of investment in the management of financial investments should help to form a general idea of the mechanism of investment of free capital, their management, sources of information formation, which are used to carry out this process and the users who use it.

Financial investments are an important component for many enterprises, allowing them to effectively use temporarily free capital or achieve strategic goals related to the expansion or diversification of activities. This creates a number of features for financial investments:

1. Financial investments are a separate activity for companies that are not institutional investors.
2. They are the main way of foreign investment.
3. In the system of investment needs of enterprises, they form secondary investment needs.

4. Strategic financial investments allow enterprises to achieve strategic goals faster and more efficiently.

5. Portfolio financial investments are used to obtain additional income and protect against inflation.

6. They provide a wide range of investment instruments in relation to profitability and risk.

7. Financial investments provide a wide range of instruments and in terms of profitability and liquidity.

8. The process of making managerial decisions regarding financial investments is less complicated.

9. Active monitoring of market fluctuations is required, as the financial market is prone to changes.

Therefore, financial investments become an important tool for enterprises that allow them to achieve their goals more efficiently and expand their capabilities.

It was established that among the main problems, the imperfection of the modern information support system can be singled out, which is manifested in the ambiguous interpretation of such a category as "financial investments" in domestic legislation and its difference in the same part compared to the international one [3]. The practice of using existing financial reporting shows that the latter is not sufficiently complete, primarily due to the lack of a sufficient number of financial instruments as such, which causes a corresponding problem with tracking and analyzing information about investment objects. And the question of the reliability of information about financial investments is extremely underdeveloped, due to the difficulty of tracking information about investments that have already been made in the accounting.

Differences in the interpretation and use of terms in domestic legislation compared to international legislation can also complicate the perception and application of legal norms in the field of financial investments. This can become an obstacle to the effective functioning of the market and the development of the investment climate in the country.

To solve this problem, measures can be taken, such as clarifying and harmonizing definitions and terms in the legislation with international standards, developing additional explanations and methodological recommendations on the interpretation of legal norms in the field of financial investments, as well as

increasing the awareness and skills of specialists in this field.

The policy of financial investment management is part of the general investment strategy of the enterprise. It defines a strategic approach to the selection and management of financial instruments for investing capital in order to maximize profits or achieve other financial goals [2]. Therefore, the policy of financial investment management is an important component of the company's strategy, which allows for the effective use of capital and the achievement of financial goals in a dynamic environment

At the same time, one and the same entity can also have the role of an investment object, which is not uncommon for most developed countries with an actively functioning stock market and investment culture. When such an entity assumes both roles - the construction of the financial investment management process is not limited to the selection, analysis, evaluation and control of the investment, the duties and rights of such an entity include all possible policies in the enterprise: starting with personnel and concluding social and environmental. Of course, even when a business entity plays only one role: investor or investee, this does not mean that it does not participate in their definition, application and compliance control, but its role is potentially multiplied. There is a widespread opinion that the management of financial investments has a limited, although no less voluminous in number, set of actions, which begins, for the most part, with the selection of an investment object and ends with its control or investment implementation.

In fact, this thinking is only partially true because, as we saw earlier, an investee can play multiple roles. It follows that the management of financial investments should include a set of actions related to all elements of the enterprise's activity. It is this view that has more substance when we recall the investment culture and worldview of most Western and Eastern business representatives, where every action or inaction has an impact on the enterprise. Returning to the essence of financial investment management, we always remember the presence of a large number of activities, which are conditionally expedient to divide into those related to production, provision of works and services. For each of the subjects of investment activity, the goal is to realize their own goals. In general, this is widely observed on the example of their distribution to those for whom investment acts as a conditionally "main" and additional activity: for enterprises whose activities are not directly related to the investment of funds, investment does not have such importance and influence



on performance, as for banks, insurance companies, asset management companies and funds. Although investing is not defined as the main type of activity for such enterprises, it is almost the main way of using the funds raised.

In connection with the above mentioned, in the opinion of the author, first of all, in the process of managing financial investments, it is necessary to start precisely with the definition of investment goals, because in investing there are always two types of activities - acquisition (investment) and realization of investments, which, in fact, they provide an opportunity to form an initial understanding of the investor's intentions and course of action and allow the formation of all other elements that are present in the process of managing financial investments; the main goal of most investors can be expressed as follows - it is the achievement of the optimal relationship between the risk that the investor is willing to take and the level of income that he wants to receive [8]. In the future, the author suggests taking into account the following conditions, which have an impact when defining goals, but are not exhaustive:

- when the enterprise acts as an investment object, its characteristic description is the presence of one owner (both the owner of shares and 100% stake), which exercises full control and determines the ways of development and/or several owners (mainly shareholders or they can still be to be called founders), the number of which does not exceed 3 or 5 (depending on the size and stage of development), as well as those enterprises that have developed corporate governance and a clearly defined position, goals and strategy, the main purpose of such enterprises will be mergers, acquisitions, sales (both in the case of the owner or owners exiting the business, and to avoid negative consequences).

- when an enterprise acts as an investor, regardless of the number of owners, type of activity and organizational and legal form, it is taken into account how this investment will affect the investor in the long term, on the basis of which and for what purpose it was feasible; if the investment is made for a long period, and, in the case of a short-term acquisition or sale, the investment is preferably considered as having been made only for the purpose of resale, since any acquisition, investment and sale, in the case of companies whose shares are listed on the stock market market and/or which are publicly known, with sufficient capital, then such actions can have a significant impact not only on individual sectors of the economy, but also on the market as a whole. For those investors who do not have such significant influence

and control, it is proposed to consider such actions as normal, taking into account the volume of investments and the size of the enterprise, in case of those situations where such actions may have signs of illegal activity.

An additional component, which is proposed to be taken into account and attributed to the management of financial investments, is the issue of shares and bonds by the enterprise. These actions can be attributed to financial activity and investment policy, but it is suggested to take into account the fact that when the enterprise is the object of investment, the investor may have several opportunities to invest funds: purchase of the enterprise, purchase of a larger part or a certain number of shares, including the purchase of a share (for an LLC) or the purchase of bonds, which are the main ways of investing free capital in financial investments - therefore, such actions must be taken into account. The next, and no less fundamental, issue is the availability of free capital. This component includes two points: the source of financing can be:

- own funds - retained earnings and cash on the company's accounts;
- raised funds - loans from banks, international organizations, issuance of bonds and shares, non-refundable financing.

Of the presented sources, the first option is the most widespread, because these funds can be used immediately, they do not require strict reporting on the directions of their use, and there is no need to pay interest on them. Raised funds have all these disadvantages, in the case of those situations when the funds are provided on an irrevocable basis, in this case, the interest payment component is absent, but instead of it, the enterprise will be subject to stricter control both in terms of financial condition and reporting, in part, exactly how the funds were used.

An additional complication, due to which own funds are used, rather than borrowed funds, is the risk of not being able to clearly predict cash flows (for example, when the situation in the country is unstable or this instability occurs suddenly), because in the case of market, political and regulatory changes, man-made, ecological and social situations, the investor can hold his positions, and further activity of the investment object will either not be profitable (long or short-term period), or will not make sense (in case of no market, demand or high competition) [5]. Under the conditions of such risks, the investor faces a number of problems that he either cannot influence, or the intervention entails additional losses, which simultaneously increases the amount of expenses for financial investment and

reduces the amount of income.

Since the investor cannot bear full responsibility for such an investment, the use of the raised funds may also be economically unprofitable, especially in cases where the amount of interest on loans, bonds or financial assistance equals or exceeds the income from the investment. The positive side of using the raised funds is the ability to quickly implement the intended plans, which will allow the investor to receive more income, regardless of the conditions and/or the amount of interest is lower than the potential benefits, including the income received; when they do not bear associated costs and you can take all the benefits for yourself.

As one of the methods of indirect investment, convertible bonds can be found in the scientific literature, but the practice of using this method of acquiring property rights is not widespread, especially on the territory of Ukraine, so it will not be considered further.

In this way, we gradually move to the next most important component in investment management – strategy, because it is determined taking into account the risk profile of the investor, which is determined depending on the level of risk that he is ready to take on and allows to form the order of actions regarding investment management (or portfolio management tactics).

The developed financial investment management policy of the enterprise defines the key parameters and criteria of investment activity, which covers a set of practical actions for investing capital in accordance with the chosen strategy. This means that the company, as an investor, makes decisions about investing its own, borrowed and borrowed resources in various objects to achieve its goals. The company's financial investment management policy defines the framework and parameters of investment activities aimed at achieving the company's strategic financial goals.

The development of the enterprise's investment policy is based on financial management concepts that take into account various aspects of managing financial resources and investment decisions. Here are some of these concepts [4]:

1. Concept of cash flows. Recognition of assets as a source of future cash flows and their evaluation. This includes identifying cash flows, assessing the factors that affect them, choosing a discount rate, and assessing risks.

2. The concept of present value. Taking into account the inequality of available and expected monetary resources due to inflation, the risk of lost profits and a

slowdown in the turnover of funds.

3. The concept of compromise between risk and return. The search for the optimal combination of risk and profitability, given that as profitability increases, risk increases and vice versa.

4. The concept of the price of capital. Taking into account the cost of various investment resources to minimize the weighted average cost of capital.

5. The concept of capital market efficiency. Use of market prices of financial instruments for decision-making.

6. Concept of information asymmetry. Taking into account the possibility of using confidential information during investment.

7. The concept of alternative costs. Taking into account the lost benefit from alternative investment options.

8. Concept of agency agreements. Consideration of additional agency costs for effective investment portfolio management.

These concepts help determine investment strategies and choose the optimal approach to managing the company's financial investments.

The main goal of the investment policy is to ensure the most effective ways of expanding the company's assets. For this, the following tasks are solved within the framework of financial management:

- achieving high growth rates of capital and current income from investments. The company sets itself the task of increasing capital and receiving stable income from investments;

- minimization of investment risks. Application of risk management methods and techniques to reduce the possibility of losses when investing;

- ensuring the liquidity of investments. Reducing the terms of implementation of investment projects and investing funds in highly liquid financial instruments. The development of investment policy begins with the study of the external investment environment and forecasting of the market situation. On the basis of these data, the strategic directions of the enterprise's investment activities are determined.

Ukraine is also forming a securities market, which simplifies operations with financial instruments. This encourages enterprises to master the principles of rational investment portfolio management.

Usually, an enterprise's investment portfolio consists mainly of securities, such as shares, bonds, savings certificates and others. They can be both long-term and

current financial investments, depending on the term of the investments.

Financial investments, compared to real investments, have their advantages and disadvantages. One of the advantages of financial investments is their higher liquidity and the possibility of flexible operational management. However, they provide less inflation protection and a lower rate of return, as well as limited exposure to individual financial instruments in the case of portfolio investments.

Management of financial investments includes the following tasks:

- ensuring the reliability of investments. The goal is to minimize the risk of losses and preserve capital.
- increasing the profitability of investments. Using strategies that contribute to increasing returns on investments.
- increase in the market value of investments. Maximizing potential profits by increasing the value of investment assets.
- ensuring the liquidity of financial investments. Reduction of implementation terms and selection of highly liquid financial instruments.

Financial investment management takes into account a variety of risks, such as systematic and portfolio risks. Diversification and insurance strategies are used to reduce portfolio risk.

Ensuring the liquidity of financial investments is an important aspect that requires a detailed assessment and the inclusion of only liquid instruments in the portfolio.

Therefore, the main goal of financial investment management is to ensure the optimal ratio between profitability, risk and liquidity of securities in accordance with the chosen type of investment portfolio.

To summarize, the process of managing financial investments includes a number of key stages and basic principles that help to effectively use available financial resources for investment and profit. The main principles and stages of this process include [1]:

1. Analysis of the financial situation. Before starting investment activities, it is necessary to conduct a detailed analysis of the financial situation of the enterprise or personal finances. This includes an analysis of income, expenses, risks and other factors affecting the investment opportunity.

2. Determination of investment goals. Before starting to invest, you need to clearly formulate the goals that you want to achieve. It can be capital gains, pension

provision, capital increase, etc.

3. Development of an investment strategy. An investment strategy is developed based on the analysis of the financial situation and defined goals. This includes choosing the type of investment, asset allocation, determining risks and calculating potential income.

4. Selection of investment instruments. After determining the investment strategy, specific investment instruments are chosen, such as stocks, bonds, real estate, mutual funds, etc.

5. Monitoring and adjustment. After the implementation of the investment plan, it is necessary to regularly monitor its results and take measures to adjust the strategy according to changes in the market or in the personal financial situation.

6. Diversification of risks. To reduce the risks associated with investing, it is recommended to distribute investments between different types of assets and markets.

Risk is a necessary component of any entrepreneurial activity. It arises from uncertainty, which is an unavoidable aspect of management. Since many processes related to entrepreneurship are non-deterministic in advance (for example, the pace of technological development, market changes, consumer needs, natural disasters, etc.), risk becomes a necessary aspect of any management decision. It manifests itself in the deviation of actual values from expected or sustainable indicators. Thus, risk is not only a theoretical concept, but also a practical reality faced by entrepreneurs in their activities.

Risks are a complex phenomenon that manifests itself in various aspects of the financial and economic activity of economic entities [6]. They can arise in any activity and are related to production processes, the introduction of new products, services, technologies, as well as the implementation of socio-economic and innovation-investment projects.

In general, risk can be considered from two aspects:

1. As the probability of losses that occur when investing funds in various areas of activity, such as production, the introduction of new technologies or the development of management innovations.

2. As the essence of the phenomenon of risk as a process that can have both positive and negative consequences for business entities.

Thus, risk can be considered as the possibility of negative events or losses, as well as the possibility of obtaining benefits as a result of entrepreneurial activity in

conditions of uncertainty. This means that the risk arises as a result of the deviation of the actual results from the planned ones, and can be both a negative and a positive factor.

The first priority is to determine the risk for the further establishment of the risk profile and type of investor, since this component has the greatest influence on how the investor will behave in the future and what kind of return he can get. In order to determine the risk profile - the investor's attitude to risk - it is necessary to first determine the main risks that the investor may face, because in investments there is a direct interdependence: the higher the risk that you are willing to take, the higher the level of return you can potentially you can get on invested funds.

The main risks that an investor may face when managing financial investments include: financial; political; social; natural; ecological.

At the same time, it is necessary to take into account that there are very few pure risks and, in most cases, there is a combination of those presented above, and the presence of financial risks is almost invariable. The latter, in turn, are the most widespread and influential, since their influence is most noticeable and, in the case of joint-stock companies whose shares and/or bonds are traded on the stock exchange, the final result is a change in the capitalization, and, accordingly, the market value of financial instruments; in the case of joint-stock companies whose shares are not traded on the stock exchange and limited liability companies, the final result is reflected in the financial statements and in the form of improvement or deterioration of the financial condition of the enterprise.

Financial risk can be a risk related to the purchasing power of money and includes the risks of inflation and deflation, exchange rate changes [6]. There are also risks of liquidity of securities and investments, which, in some cases, arise due to the risk associated with the purchasing power of the currency.

The risk of inflation and deflation manifests itself in the growth of the company's costs, causing price growth, which negatively affects the population's demand for goods, works, and services offered by the company. When inflation is rising, in order to reduce it, the discount rate is raised, which negatively affects the interest on the loan if the company needs additional funds, but has a positive effect, as it allows the company to invest in government securities, which are characterized by a low level of risk, and, respectively, are safe, however, this is at the same time a negative for enterprises, due to a change in the priorities of investors, as they

withdraw their funds from shares and bonds of enterprises - risky financial instruments. Deflation, in turn, leads to a fall in prices, which negatively affects the profits of enterprises.

Exchange rate risk is manifested in the change of the exchange rate, which can be manifested in the growth of received profits or losses. At the first stages of forming an investment strategy, the investor determines what part of the funds he will invest in the national currency, and what part in the foreign currency. For the most part, if the investor's goal is to strengthen and/or expand his positions in the middle of the country, the currency of investment is national, in this case, the main risk of exchange rate changes will depend on external reasons.

If the investor's goal is to invest funds outside the country, then he will have to take into account the stability of the currency of the country of investment, it is in such cases that the combination of the risk of inflation / deflation and changes in exchange rates, which take into account not only the risk of the purchasing power of the investor's national currency in relation to the currency, is most clearly visible investment, but also the currency of the investment in relation to other currencies, since the activity of the object of investment may be/will be related to export/import, which may negatively affect the financial result, and, therefore, bring loss or profit to the investor.

The liquidity risk of financial instruments can be associated with both changes due to purchasing power risks and lack of demand (low level of attractiveness due to low rating and/or high level of risk), which is manifested in the inability to quickly realize financial instruments [4]. On the example of Ukraine, it can be observed that the lack of demand, not for a specific financial instrument, but for investment activities in general, reflects the low level of liquidity of the stock market in terms of shares, which causes situations when it is impossible to clearly establish an objective average price, sell/buy quickly financial instrument (which manifests itself in the loss of potential profit) and carry out an assessment to reflect the state at the current time.

Investment risk is manifested in the risks of loss of profit, decrease in income, direct costs, and which are manifested in the receipt of losses (non-receipt of profit) as a result of: untimely actions or their non-performance, decrease in income due to a decrease in the amount of interest on bonds (for example, due to risks associated with purchasing power), a reduction in the amount of dividends or their cancellation, the inability of the borrower to pay interest and the principal amount of the debt,



bankruptcy, errors in the choice of the investment object, in the formation of portfolio structures, as well as reassessment of the potential of the enterprise, the industry and as a result of the realization of risks that the investor cannot influence. The main risks arise for the following reasons and are implemented as follows:

Social risk can arise from workers' strikes, supply/realization problems resulting in temporary or long-term production stoppages and/or disruptions. In this way, the company's activity is partially or completely stopped, followed by the inability to sell goods, works, services, then a decrease in revenue from sales, a decrease in income and net profit;

Political risk may arise in the form of changes in legislation that will lead, for example, to an increase in the tax burden, restrictions and/or the creation of obstacles in a certain industry (reduction/increase in export/import quotas, creation of a state-owned enterprise/active management of state authorities, which the goal is to monopolize the market) [7]. This risk can be quite closely combined with social risk, which can manifest itself in war, revolution as a result of certain political actions or unpredictable attacks/riots, which can affect both individual regions, industries, and the entire country; introduction of sanctions due to political motives; the involvement of the population in only one sector of the economy, which causes a lack of qualified personnel and workers in general; conducting insufficiently effective social policy, due to which the population migrates to other cities, regions and/or emigrates to other countries, which again reduces the number of both potential and existing employees, respectively, can lead to a reduction in the scope of activity and the rate of development of the enterprise. It is also important to reduce the country's investment attractiveness due to political instability, which reduces the investment of foreign capital and reduces development opportunities.

Natural risks include risks arising from natural events, including: floods, earthquakes, fires, epidemics, droughts. In Ukraine, the most influential natural risks are floods, droughts and fires, as they affect the main sector of Ukraine's economy - agriculture. A direct manifestation is, for example, the reduction of the harvest, which causes a lack of income and does not cover the costs of its cultivation, processing and storage, which ultimately affects both the enterprises that carry out cultivation and all related enterprises that use raw materials for direct or as a final product as a result of processing. This leads to a reduction in costs not only of the specific enterprise in which the investor could make/made an investment, but also in all others, thereby

reducing potential income or increasing it due to high demand.

Environmental risks arise due to environmental pollution, and their impact can be observed most significantly in the last 5 years, when the trend of Environmental, Social and Governance Investing or ESG, which mainly focuses on the environment, began to more actively influence the market value and the enterprise as a whole environment, social impact and leadership quality [5]. For the most part, attention is paid precisely to how the enterprise affects the environment, how it is reflected in the surrounding environment, society, and what actions its management takes or does not take to reduce it. This component is taken into account when evaluating the enterprise as a whole and is of significant importance for most investors.

After getting acquainted with the main risks that can await the investor, an assessment of the risks that he is ready to take and a comparison of these risks with the level of income that he wants to receive, the investment period and investment goals. Based on these elements, the investor can make one of the following decisions:

- take on greater risk and obtain greater profitability;
- balance risk and profitability;
- minimize risk and maintain the desired level of income.

These decisions are a brief description of the main risk profiles: conservative; balanced; aggressive.

A conservative risk profile is inherent to those investors who wish to preserve their capital, minimize losses from investment portfolio management and receive a stable level of income, which will be higher than the yield of the deposit. To achieve the goals, the main instruments are government bonds, bonds of companies with a high rating, mutual funds, shares of individual companies (large, with stable payments and/or stable growth, as well as those with a minimal risk of bankruptcy). For such a risk profile, in Ukraine, it will be typical to invest in investments according to the proportion: from 50-70% government bonds, 30-50% bonds of enterprises with a low degree of risk; preservation of capital in currency.

A balanced risk profile is chosen by investors who are ready to take on more risk and get higher returns without risk instruments, for example, by buying riskier companies, but are not ready to experience a significant reduction in the portfolio in crisis situations. For such a risk profile, the portfolio is filled through the following proportions: 20-30% combination or selection of one type of bonds, – government or bonds of enterprises with a low degree of risk (high rating), – 60-70% shares of stable

enterprises, 10-20% venture capital, mutual funds, direct investments [3].

An aggressive risk profile is characteristic of investors who are ready to take a significant risk, accept the possibility of suffering losses for the sake of greater income, and have the goal of obtaining the greatest income in a short period of time. The share of bonds in the portfolio of these investors may occupy the smallest value of 5-10% or be absent at all. The main investments are made directly in shares of enterprises, their shares; such investors can concentrate their capital in one or two enterprises, enterprises at the stage of development, enterprises with a low rating, etc.

The importance of risk assessment in financial investments cannot be overstated, as it allows investors to understand potential dangers and the possibility of losses. Risk assessment is a critical step in the investment management process that helps make informed decisions.

Risk assessment of financial investments is the process of determining the probability of loss or negative consequences associated with investing funds in financial instruments. Table 1 shows the main methods used to assess the risks of financial investments.

Table 1

Methods of risk assessment of financial investments

Method	Description
Analysis of the market environment	This method involves studying the external environment such as economic and political factors, technological changes, competitive environment, etc. Evaluation of these factors helps the investor to understand the potential threats and opportunities for the chosen investment object.
Analysis of fundamental factors	This method consists in evaluating the financial condition of the company, its fundamental indicators, such as profit, debt, sales volume, etc. Analyzing these indicators, an investor can draw a conclusion about the company's financial stability and development prospects and reduce investment risk.
Technical analysis	This method involves analyzing price charts and trading volumes to determine price trends. Technical analysis helps identify possible entry and exit points, as well as identify support and resistance levels, which allows you to reduce investment risk.
Assessment of credit risk	This method involves assessing the creditworthiness of the issuer of securities. It allows the investor to estimate the probability that the issuer will not be able to fulfill its obligations to pay interest or return the principal amount.
Analysis of historical data	This method consists in analyzing the past price movements and volatility of securities in order to predict future risks. Although past performance does not guarantee future success, it can provide useful guidance as to what risks may be associated with a particular investment.

These methods can be used separately or in combination depending on the nature of the investment and the personal preferences of the investor. The development of risk models based on identified factors is an important component in

the process of risk management of financial investments. This approach allows investors to assess and predict possible risks associated with investment projects and make informed decisions.

These methods can be used individually or in combination to obtain more accurate forecasts of financial investment risks. The main steps in developing financial investment risk models based on identified factors include:

1. Identification of risk factors. The first stage is the identification of all possible factors that can affect investment activity. These can be financial, economic, political, social, technological and other factors that can become a source of risk.

2. Assessment of the influence of risk factors. After identification of risk factors, their possible impact on financial investments is assessed. This may include an assessment of the likelihood of each risk occurring and its potential impact on the investment.

3. Choice of risk assessment method. After assessing the risk factors, the risk assessment methods that best suit the specific situation are selected. These can be qualitative or quantitative methods such as SWOT analysis, statistical analysis, scenario analysis, stochastic process modeling, etc.

4. Development of a mathematical risk model. Based on the identified factors and risk assessment methods, a mathematical model is developed that reflects potential risks and their impact on the investment portfolio. This model can include various parameters and indicators that take into account the degree of risk and its impact on investment profitability.

5. Model testing and verification. After developing the risk model, it is tested and checked for effectiveness and adequacy. This may include analysis of modeling results on historical data, as well as conducting simulation experiments.

6. Using the model for decision making. After successful testing, the model can be used to make informed decisions about risk management of financial investments. Investors can use this model to predict and manage risks in an investment portfolio, ensuring the optimal ratio between risk and return.

Of course, risk models in financial investments can be useful in various situations. Here are some practical examples of their application:

- an investor can use a risk model to estimate the overall risk of his stock portfolio. This will allow the investor to understand how different stocks affect the overall risk of his investment and determine the optimal allocation of stocks in the

portfolio;

- financial institutions can use risk models to predict the credit risk of bonds. This will help assess the probability of non-payment of bonds and determine appropriate measures to minimize this risk;

- investors investing in foreign assets can use risk models to assess possible changes in the exchange rate. This will help them make informed decisions about reducing currency risk in their investments;

- investment fund managers can use risk models to assess and manage the risk of their portfolios. This will help them balance the fund's risk and return and provide the optimal investment strategy for clients;

- companies can use risk models to assess the risk of new projects and investments. This will help them make informed decisions about whether to accept or reject such projects and reduce the likelihood of failure;

- risk assessment in insurance and pension provision, insurance companies and pension funds can use risk models to assess and manage the risk of their asset portfolios. This allows them to provide reliable insurance and pension services to their clients.

Note that the development of an investment strategy is an important step for achieving successful investment activity. An investment strategy is a plan or approach determined by an investor to achieve their financial goals through investing their funds [2]. This includes developing a plan that determines how and where investments will be placed, taking into account factors such as financial goals, investment timeframe, risks, risk tolerance and financial circumstances.

An investment strategy can include various elements, such as asset allocation (allocation), the choice of specific investment products (stocks, bonds, mutual funds, ETFs, etc.), strategies for reinvesting received income, portfolio management tactics (for example, active or passive management), strategies for responding to market conditions, etc [5].

The main goal of the investment strategy is to provide the investor with an optimal balance between risk and income, which corresponds to his financial goals and investment terms. Through an investment strategy, an investor creates a framework for his investment decisions that helps him avoid emotional reactions to market fluctuations and provides a systematic approach to achieving his financial goals. The investment strategy is used for several purposes:

1. Achieving financial goals. Investors set an investment strategy to achieve their financial goals, such as retirement, home purchase, children's education, or capital accumulation.

2. Minimization of risks. An investment strategy helps investors manage the risks associated with their investments by allocating assets, selecting different types of investments, and establishing hedging mechanisms.

3. Optimization of income. Investors can create investment strategies with the goal of maximizing income or obtaining an acceptable level of income at a certain level of risk.

4. Liquidity management. Some investment strategies are aimed at providing the right level of liquidity to carry out financial transactions at the right time.

5. Planning for the future. An investment strategy helps investors plan for the future, taking into account their financial goals, risks and investment timelines.

In general, an investment strategy is the basis for making decisions about the allocation of funds, the selection of investment products and risk management in order to achieve the financial goals of the investor.

The investment strategy is formed based on the main goals of the investor and taking into account the risk profile, based on the mentioned, it is advisable to distinguish the following: dividend strategy; value strategy; growth strategy; strategy of minimal participation; strategy of strategic outflow.

Dividend strategy is a type of investment strategy, which assumes that the investor invests in financial instruments with the aim of receiving stable interest income from enterprises, and not receiving income from the growth of the market value. Investing funds in a share and/or shares of an enterprise gives the investor the legal right to receive a share of the profit in the form of dividends, since he becomes a co-owner, owner and/or shareholder of the enterprise. This strategy is focused on issuers with a stable financial condition, a high level of dividends, their constant payment and a high rating, and also allows you to accumulate capital with the help of compound interest. Bonds are characterized by the payment of interest in stipulated terms, which in combination with dividend shares forms a continuous flow of cash, which the investor can reinvest by purchasing shares or bonds for the funds received. Timely participation in the management of the company's dividend policy and its management requires special attention, as it affects the company's profit and, accordingly, the amount of dividend payments.

A value strategy is a type of investment strategy that involves investing in companies that, in the investor's opinion, are undervalued by the market at the current time. Undervalued shares are considered by the investor, the market price of which, according to the result of his analysis and evaluation, is lower than their actual (real) indicators. When choosing this strategy, the investor needs to study the enterprise more closely, analyze and evaluate financial statements, determine the main indicators and factors of influence of a separate enterprise. For the most part, the investor focuses on businesses with a stable business and an existing potential for increasing the value of shares, without significant debts and positive dynamics of development in the past and at the time of evaluation. The basic income is formed due to the potential increase in the value of the share price in the future. Buying bonds whose market value is lower than par is a type of value strategy because it provides more income at maturity.

A growth strategy is a type of investment strategy in which the investor focuses on choosing enterprises with high potential in the future. The main objects of investment are small enterprises with the potential for significant growth and volume increase [7]. Selected enterprises have the latest developments, ideas, technologies that did not exist before, but which have a stable demand now and it is planned to increase it in the future; the vast majority of such enterprises may incur losses over a long period, with the potential to earn profits and capture market share in the future; have a rapid development now, occupy a monopoly position in the industry, which was absent before. Due to their "uniqueness", the shares of such companies can be valued much higher than similar enterprises, therefore, when choosing this strategy, it is necessary to study in detail the potential of the enterprise and its development opportunities.

The strategy of minimal participation is a type of investment strategy in which the investor transfers the right to manage the portfolio to an investment manager, investment funds, mutual investment institutions, asset management companies, in order to minimize the time spent on portfolio management and/or due to the lack of sufficient knowledge and skills to independent management/trading of financial instruments. The disadvantage is the difficulty of finding "professionals" in this field, given the price-quality ratio, since the transfer of one's capital to trust management entails associated costs in the form of interest for management; no less important is the fact that the investor has almost no influence on the investment process and in

fact relies only on the trust of managers, but fully accepts all risks and losses, in case of a negative result. In this strategy, it is important not only to transfer the right to manage, but and monitor and respond in a timely manner when signals of inefficiency or apparent abuse of trust appear. The positive thing is that the managers of his capital do all the work for him, having previously determined the investment term, goals, risk profile and management model, so the investor can use his time to manage his company, distracting himself only from accepting proposals for investing funds , replenishing the account, receiving dividends. It is very important to take into account the capital management fee, because management interest can significantly affect the future value of capital (downwards), therefore, this component must be taken into account when making a decision in favor of this strategy and assessing the economic feasibility of such a strategy.

The strategy of strategic influence is a type of investment strategy in which the investor invests capital in the legal entities of other business entities, that is, the acquisition of power occurs through the gradual purchase of legal entities or through the one-time purchase of such rights in the amount which allows influencing the decisions that are made, including changing and/or appointing persons to the board of directors, occupying a seat in the board of directors independently, as well as acquiring sole voting rights, in order to make changes to the management policy of the business entity, depending on the goals defined by the investor [8]. Among the main decisions that may be a priority for the investor is the division of the investment object into different companies, the most attractive of which the investor will purchase at a lower cost than before the division; merger or acquisition of the object; changing the orientation of operational activity to the needs of the investor, in particular, establishing contractual relations with counterparties belonging to the investor, related to it or interaction with which contains a benefit for the investor. Including, leading to insolvency and/or liquidation of the enterprise, obtaining access to patents, technologies that may cause harm in the future or be used in the investor's activities for the benefit of the latter, with the aim of eliminating competition/maintaining a monopoly position, obtaining competitive advantages. It is typical to invest in the corporate rights of a certain number of issuers, including only single investments both at the initial stages of operation and at the stage of stable operation of the business of the investment object, for the purpose of realizing goals; another investment strategy can be implemented in parallel.



Also note that long-term investing involves long-term holding of assets in the portfolio with the aim of obtaining profit in the future. This strategy is based on the concept that assets can increase in value over time, especially if they are stocks of high-quality companies or other investment products with the potential for long-term growth.

The basic idea is that investors hold assets for a long period of time despite fluctuating market prices in the hope that their value will increase over time. This can be particularly effective in long-term growth market trends or in industries with potential for innovation and development.

An important component of long-term investing is portfolio diversification to reduce risk and ensure long-term stability. It is also important to have a strategy of periodically reviewing and rebalancing the portfolio to ensure that investment goals and risk preferences are aligned.

**Short-term investment.** This strategy involves buying and selling assets for short periods (usually less than a year) in order to make a quick profit. Short-term investments include, for example, trading shares on the stock market or currency trading. Short-term investments often include active trading in the stock market or currency market. Investors who choose this strategy usually hope to profit from fluctuations in asset prices in the market over a short period.

This strategy can be used to trade stocks, options, futures or currency pairs, as well as to use strategies such as day trading, scalping (quickly buying and selling assets to make small profits from short-term price changes) or trading on news events.

An important feature of short-term investing is the high level of risk, as market fluctuations can be unpredictable and rapid. Investors who choose this strategy usually have experience or access to high-quality market analytics to make quick and informed decisions.

We have already presented the main methods of displaying information that are used by internal and external users in order to establish the financial condition of the business entity, its prospects and features of operation. In order to obtain reliable and transparent information, in order to evaluate the investments made, it is possible to develop new ways of displaying information or improve existing ones for each type of user. Internal information, which internal users rely on when determining the real state of affairs, is based on accounting data. The current organization of accounting

for financial investments is subject to criticism by domestic scientists, who mostly consider issues related to the establishment of compliance of NP(S)BO and IASB [5], the issue of differences in the interpretation of financial investments, both concepts and categories as a whole; disclosure of the accounting procedure, in accordance with the provisions of accounting, due to the lack of practice as such. Particular attention is paid to the problem that concerns the investment activities of enterprises as a whole: the absence of separate accounts and corresponding sub-accounts designed to record the presence of investments, income and expenses related to investment activities. This, in turn, is combined with the problem of ambiguity in the interpretation of concepts related to financial investments, their accounting and reflection in financial statements in the presented national regulations and recommendations, which ultimately leads to problems with the reliability of the information used in their assessments as internal and external users.

In addition, it is important to compare the level of development of the stock markets of foreign countries, which consists in the variety of presented financial instruments and their number, compared to the stock market of Ukraine and its prospects.

In the author's opinion, simultaneously with the development and regulation of the stock market, it is necessary to pay attention to the problem that arises after defining the basic terminology - accounting methodology in terms of the completeness of information disclosure for the internal user, which is formed on the basis of accounting accounts. This problem is reflected in the incompleteness of the analysis of accounts, which arises due to insufficiently objective grouping and available explanations, which lead to a lack of obtaining the necessary information about financial investments.

When considering the main risks, on the basis of which this or that strategy is formed, the author focused attention on the fact that there is a certain set of factors that can directly or indirectly affect the achievement of the goals set by the investor, which he seeks to realize through investing. In order to understand potential benefits and possible losses, an investor or a person responsible for making decisions regarding the investment of free capital should derive optimal values for themselves, taking into account possible factors influencing the amount of capital.

One of these factors is the risk that the investor is willing to take and the time it takes to achieve the goal; after choosing the size of the risk, you can try to determine

what period we will need to achieve the goal. On the basis of the established values, it is possible to carry out a preliminary selection and analysis of objects that meet the parameters we need, and from which it will be based in the future, in order to adjust its decisions. Depending on the chosen level of risk, the investor may experience three situations, which are depicted in Figure 1. This graph shows the ratio of accepted risk to the amount of time needed to achieve the required level of capital, the set goals, and the implementation of the intended project.

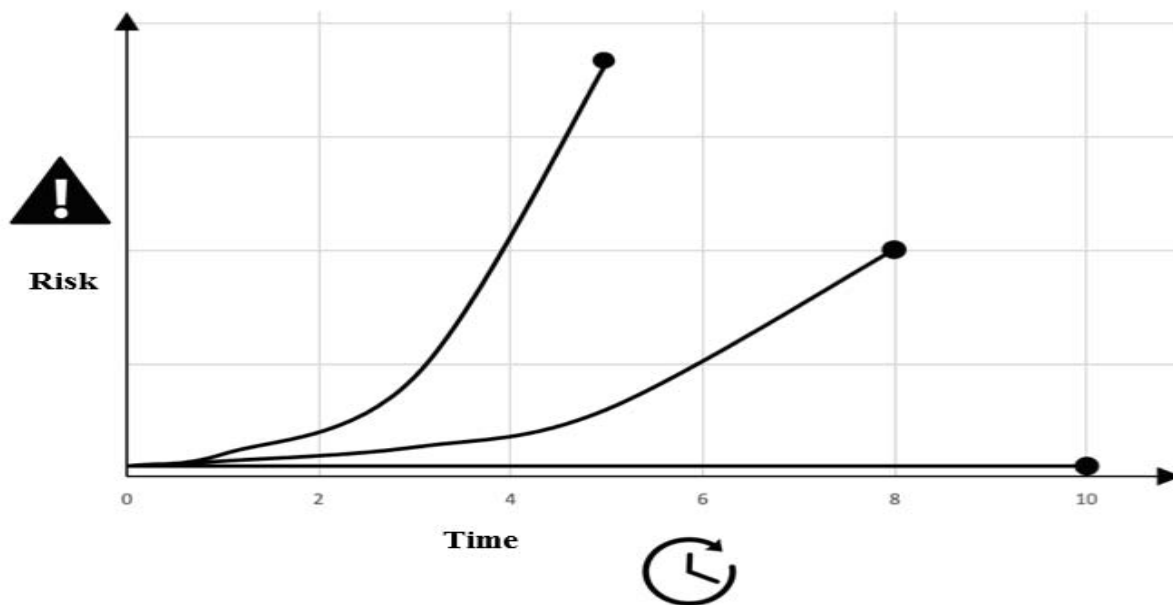


Fig. 1. Impact of risk on the time required to achieve the goal

In fact, it means the following: when minimizing risk, for example, choosing the least risky investment instrument - a deposit - the time to achieve the goals increases, because the lower risk extends the time. When choosing riskier instruments, for example, bonds and shares, the time is shortened. The instruments with the highest risk demonstrate the fastest way to achieve the goal, but also characterized by the same rapid possibility of capital loss in the same period of time.

Simultaneously with the reduction of time, it is advisable to consider the following situation presented in the graph, when an increase in risk or the level of potential income leads simultaneously, and, to a more efficient growth of capital.

Taking into account inflation, the investor's capital does not increase at the slightest risk; provided that the inflation rate increases, in some periods, the capital at the end of the period undergoes reduction (Fig. 2).

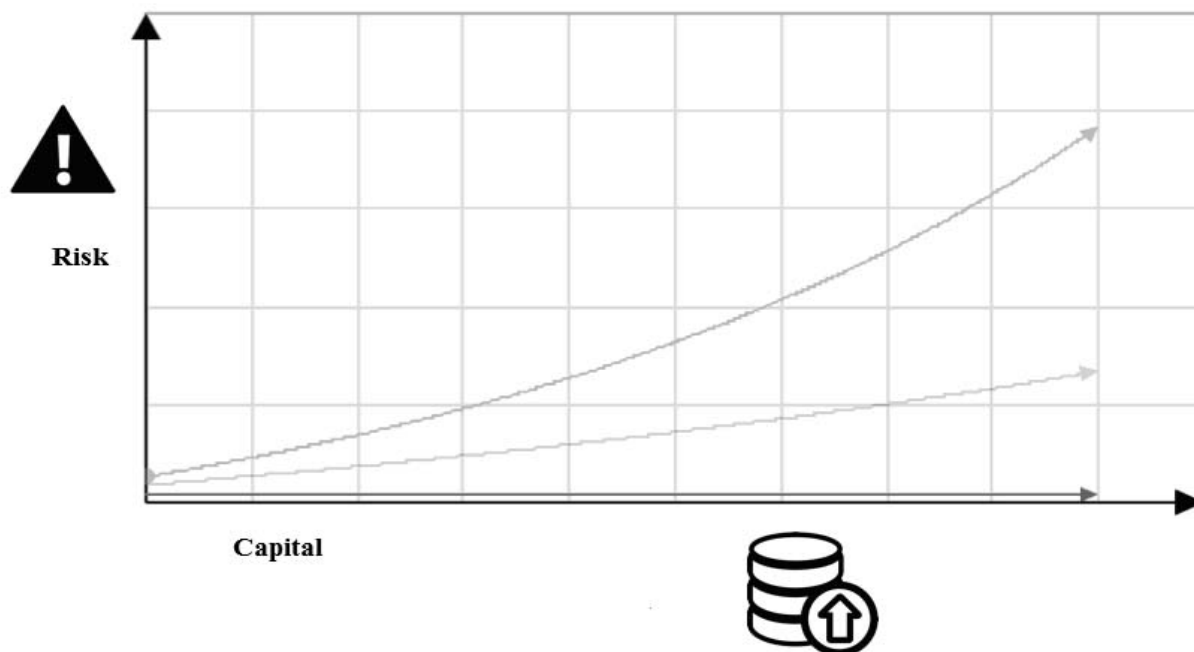


Fig. 2. Impact of risk on the amount of capital

With a balanced risk or slightly higher than the risk without risk instruments, the capital covers inflation, and the other part allows it to grow gradually: the result is achieved due to a combination of government bonds with corporate bonds and/or shares, shares of companies. The option with the highest degree of risk, when the investor invests all his funds, for example, in bonds, shares or shares of one company (having previously assessed its financial condition and potential), allows not only to cover inflation, but also to obtain an effective tool for capital growth and goal achievement for a shorter period of time, taking into account the possibility of losing part of it and/or a long period of receiving losses; the amount of losses is taken based on the amount of risk (return) assumed by the investor.

The next and most underestimated factor are transaction costs, which can be calculated, but quite often, they are not given due attention, since the cost of investments directly takes into account the cost of the investment and related costs at the time of acquisition, then further costs are not attributed to a specific investment.

Investors with different amounts of capital occasionally consider the possibility of placing it in trust management, but do not always assess the risks (losses) associated with this type of strategy - the presence of transaction costs. In addition, the amount of maintenance costs and services provided both for the capital in trust management and for the capital that the investor disposes of on his own behalf is not always the factor that is taken into account, due to their relatively insignificant size

[5].

In addition, it is necessary to note such a factor as psychological, it can be traced at all stages of managing financial investments - from setting goals to their achievement - but quite often it is not obvious, so investors do not take it into account, despite the fact that it can have a significant influence on the decision at the least expected moment, but the presence of restrictions that the investor forms for himself help to minimize this factor.

Thus, it can be concluded, however, that the factors on which the formation of the strategy is based are an integral part of it throughout the entire investment period. In the management of financial investments, monitoring compliance with the chosen strategy is the component that allows you to make adjustments to the management strategy at any time (for example, when goals and/or conditions change) or to make decisions aimed at preventing possible losses. That is why compliance with harmoniously constructed restrictions leads to obtaining the most positive result from investments in the future.

#### Conclusions:

According to the results of the research, it was found that the process of managing financial investments has a certain set of stages that determine the strategy of managing financial investments and methods of monitoring its compliance. In order to build a strategy, it is necessary to take into account a number of factors that have a direct impact on the strategy: the goals that the investor sets for himself, the risks that accompany investment activities, the investor's attitude to risk, the time for which the investor seeks to achieve the chosen goals, clear and hidden costs, which affect the effectiveness of achieving the set goals. In addition to the initial stages, which determine the investment objects and the subsequent management strategy of the selected objects, special attention should be paid to monitoring the implementation of the selected strategy, which, in practice, is implemented using the analysis of both internal and external information on individual objects and by the investment portfolio as a whole.

In order to overcome these problems, it is proposed to make changes to accounting regulations or bring them into line with international ones. Among the additional directions for overcoming problems are proposals for:

- distinguishing investment activities to understand the process as a whole, which should ensure more effective control over investment objects and their

analysis;

- improvement of the system of sub-accounts and information highlighted in the notes to financial statements in the part of financial investments, which will ensure transparency and reliability of record-keeping and decision-making efficiency, will increase opportunities for evaluating and analyzing the effectiveness of investments in investment activities;

- establishment and improvement of terminology, principles that will allow to reduce the number of errors that occur when classifying a financial investment both by accounting methods and by type of financial instrument.

The implementation of improvements and the solution of the main problems should lead to a greater interest of enterprises in making financial investments, in connection with the facilitation of their accounting, the corresponding reduction of the burden on the accounting staff of enterprises and the improvement of the efficiency of the management of financial investments.

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### **3.2. ACCOUNTING AND ANALYTICAL ENSURING THE MANAGEMENT OF CREDITORS IN THE SYSTEM OF ECONOMIC SECURITY OF THE ENTERPRISE**

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**Summary.** The article is devoted to outlining the features of accounts payable accounting and determining current directions for improving its organization at the enterprise. The article plans to reveal the characteristic features of the formation of accounting and analytical support for the management of payables in the context of assessing the level of financial and economic security of the enterprise, to analyze the main factors of the growth of the payables of the enterprise, the types of payables in terms of counterparties of the internal and external environments of the enterprise. The need to determine the main directions of classification of payables in the system of ensuring the financial and economic security of the enterprise is emphasized. The influence of accounts payable on the level of financial and economic security of the enterprise is analyzed. A detailed analysis of subsystems of accounting and analytical support of accounts payable management in the system of financial and economic security of the enterprise was carried out. The need to make balanced management decisions within a limited time frame, reserving part of the company's resources in order to compensate for future losses, constant adaptation to changes in business conditions on the world stage, distraction to countering threat factors in the external and internal environments of the enterprise form a negative trend towards innovation, shifts, progress. The formation of an effective mechanism for managing the financial

and economic security of the enterprise is a necessary prerequisite for successful business both on the territory of the country and abroad. However, the currently existing approaches to diagnosing the level of financial and economic security of an enterprise are problematic in practice, as they contain a large list of indicators that are difficult to calculate and require a professional interpretation of the obtained results. In this context, the information base, namely accounting information and financial reporting, become the basis for obtaining a relevant assessment of the financial and economic security of the enterprise. Thus, the accounting and analytical database becomes the basis for obtaining complete reliable information and determining the state of financial and economic security of any business entity.

**Keywords:** management, creditor indebtedness, creditor, efficiency, financial and economic security.

In the course of its activities, the enterprise does not always perform settlements with banks, other business entities and natural persons at the same time for the performance of works or the transfer of property. Therefore, an obligation may arise in the organization.

In modern conditions of transformational changes, innovative processes and influence economic changes, the issue of accounting and analytical support for the management of accounts payable in the context of the financial and economic security of the enterprise is becoming highly relevant. The influence of a complex of external and internal factors environment on the enterprise's activities strengthens the aspects the urgent need to analyze the circumstances that form the environment of functioning and progressive development of the enterprise. Necessary the validity of the adoption of balanced management decisions within a limited time frame, implementation reserving part of the company's resources in order to compensate for future losses, constant adaptation to changing driving conditions business on the world stage, diversion to counteracting the threat factors in the external and the internal environments of the enterprise form a negative trend to innovations, shifts, progress.

The purpose of the study is to identify and specification of problematic aspects of accounting and analytical support of management accounts payable in context assessment of the level of financial and economic security of enterprises.



To achieve the set goal, it is necessary to solve a number of tasks, in particular:

- clarify the conceptual and categorical apparatus of accounting and analytical support accounts payable management in context of financial and economic assessment enterprise security;
- to establish the characteristic features of the formation of accounting and analytical support accounts payable management;
- identify the shortcomings of the mechanism for assessing the level of financial and economic security enterprises through the prism of accounting and analytical support for credit management debt;
- to propose ways to eliminate identified problems using tools accounting-analytical and information provision of the procedure for determining such an assessment.

Formation of an effective mechanism management of financial and economic security which enterprises are a necessary prerequisite successful conduct of business both in the country and abroad. However, the currently existing approaches to level diagnostics financial and economic security of the enterprise in practice are problematic because they contain a large list of indicators that are difficult to calculate and that cause the need for professional interpretation of the obtained results. In this context, the information base, namely, accounting information and financial reporting, become the basis for obtaining a relevant assessment of the financial and economic security of the enterprise. So, the accounting and analytical database becomes the basis for complete and reliable information and determination of financial and economic status security of any business entity.

Indebtedness is an objective process in the system of relations between the enterprise and its counterparties. Moreover, with the growth of the scale of public production and the complication of economic relations, their size will necessarily increase, which requires special attention to the effectiveness of management of both receivables and payables.

Accounts payable is a liability.

In view of this, it is necessary to conduct a study of the current state of accounting and analytical support for the level assessment process financial and economic security of subjects conducting business in order to identify its inherent shortcomings and barriers on the way to obtaining timely management of companies and a reliable assessment of the state of financial and economic security of structures

subordinate to them in order to develop effective management decisions regarding their further development and strategy principles of functioning on the market.

Assessment of the level of financial and economic security of the enterprise provides the use of a set of procedures to establish the values of indicators of the state of security of the resources of the business entity and forming a conclusion based on them opportunities to realize economic interests business structure and its stakeholders provided the presence of external influence on this process and internal negative factors [6].

A necessary prerequisite for successful change influence of creditor growth factors of the company's debt is a search for conducted in cooperation with counterparties. Such way, - it is expedient to find approaches for each a separate type of payables to each of the counterparties individually subsoil In addition, a complex is necessary a detailed analysis of the company's accounts payable by its types for the purpose of determination the specific weight of each separate type of relevant debt in the total amount of the enterprise and its role in conducting business.

In addition to the specified types of creditor debt, its classification plays an important role. There are many features of classification accounts payable of the enterprise.

The scientific research analyzed the main areas of debt classification, which, in our opinion, are the most relevant in the context of increasing the economic security of the enterprise.

In this case, the obligation should be understood as the actual obligation of the enterprise arising from past events, the settlement of which should lead to the removal of various types of resources from the enterprise's property.

Therefore, for the smooth operation of the organization, there must be reliable information on the financial situation of the enterprise, accordingly, on the state of its debts, and it is important to identify the origin of the accounts payable.

Having analyzed the literary sources, we can state the fact that the concept of payables is interpreted from the usual traditional "debt that must be paid" to the rather significant "expected outflow of funds or other resources."

Therefore, such definitions are most fully expressed in the typical definition: "Creditor debt is a preliminary refusal of an entity from potential income or future economic benefits in favor of other entities. Here, the main thing recognized is not that the company owes something, but that it loses.

The theoretical principles underlying the recognition, measurement and disclosure of accounts payable are not yet sufficiently developed, and accounts payable have long been viewed simply as the "backside" of assets. Accounts payable are often equated with the terms "liability" and "debt".

In the accounting dictionary, the concepts of liability and debt have a common meaning. In accounting practice, debt is divided into receivables and payables.

Analyzing the presented categories of the studied concept, we can note that there are certain differences in them.

The economic essence of accounts payable is that it is part of the company's property, usually funds, but also tangible assets, for example, in trade credit obligations. As a legal category, accounts payable is a special part of the organization's property, which is the subject of binding legal relations between the enterprise and its creditors.

The emergence of debt is an objective process, since its presence, size and composition affect the results of the enterprise. If we look at it from an economic point of view and consider it as an independent category, then its economic nature can be defined as follows: accounts payable expresses the economic relations that arise between sellers and buyers in the process of acquisition, sale of products and services and as a result of a disagreement during the transfer of ownership (order , use) with the moment of payment, which is associated with objective conditions arising in the process of production, implementation and organization of settlements. The driving motive of these relations is obtaining future economic benefits.

The emergence of accounts payable is an objective process. It should be noted that the dynamics of changes in accounts payable, its composition, structure and quality, as well as the intensity of its increase or decrease significantly affect the turnover of capital invested in current assets, and, therefore, the financial condition of the enterprise. But accounts payable in itself is not a problem for the enterprise, unlike accounts receivable.

Creditor debt of the enterprise has both its advantages and disadvantages.

Advantages: additional financing of working capital and increasing economic potential; obtaining additional profit; reduction of capital raising costs; reducing the risk of losses from inflation.

Disadvantages: increasing the amount of liabilities; the occurrence of losses from not receiving discounts on purchased products, goods, services; risk of loss of

solvency and financial stability

The main problem is the optimal, effective management of accounts payable as an economic tool in order, on the one hand, to prevent too large obligations that will threaten the economic security of the enterprise, and on the other hand, to obtain the maximum effect from the use of these resources.

Investigating accounts payable, we can notice the presence of its classification.

The study of the issue of classification of accounts payable should be started with works intended to highlight the problems of accounting.

The analysis of scientific literature gives a comprehensive idea of the peculiarities of the classification of accounts payable.

Therefore, we will consider the classification of accounts payable from different views of scientists.

In a number of works, accounts payable are classified according to the following characteristics:

- according to the terms of fulfillment of obligations;
- by types of securing obligations;
- for recipients of the provided services.

For accounting purposes, accounts payable is classified as shown in fig. 1:

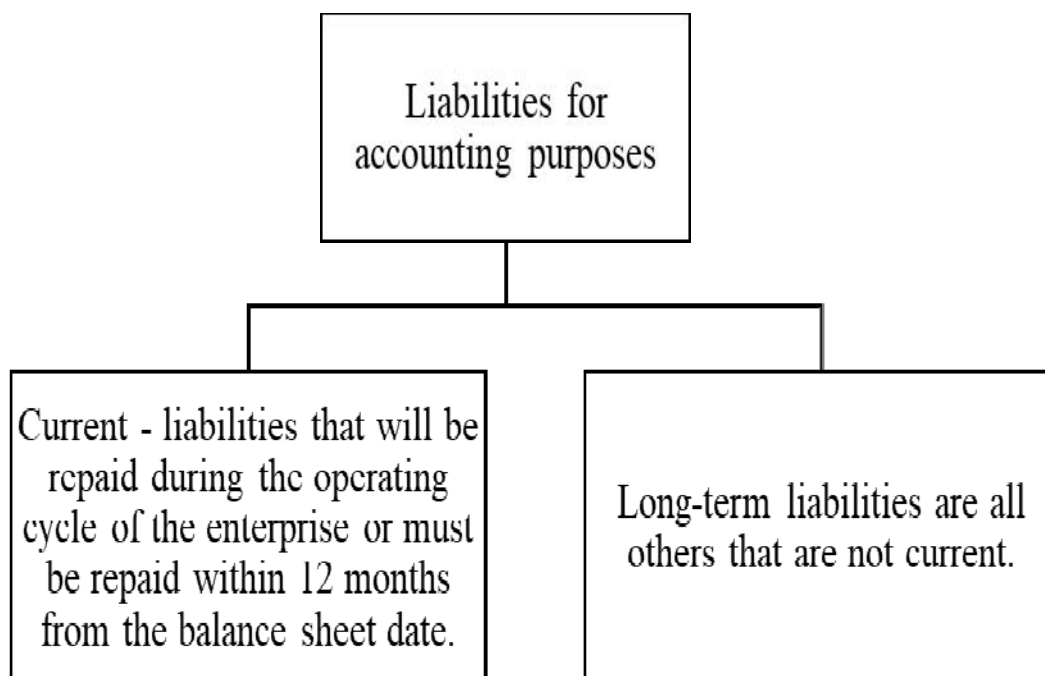


Fig. 1. Types of accounts payable

So, as you can see, accounting offers a general classification of accounts payable, universal for every enterprise.

Real liabilities are contractual obligations and, as a rule, the amount and maturity date for them are specific.

A contingent liability is a liability whose payment amount is uncertain and depends on future actions.

In accounting, liabilities are reflected only when a debt arises. Accounts payable is recognized if it meets its definition, can be measured, is relevant and true [1]. Therefore, they classify liabilities as follows (Fig. 2):

Accounts payable are current liabilities of the enterprise and distinguish the following types of accounts payable (Fig. 3).

The author considers a detailed classification. This classification is quite relevant for small and medium-sized organizations [3].

The largest classification of obligations is proposed as follows:

- by complexity: simple, complex;
- by certainty in time: limited, unlimited;
- from security: secured, unsecured;
- depending on the basis of occurrence: contractual, non-contractual;
- by repayment method: monetary, non-monetary;
- by maturity: long-term, short-term;
- as far as possible estimates: actual, calculated, conditional [6].

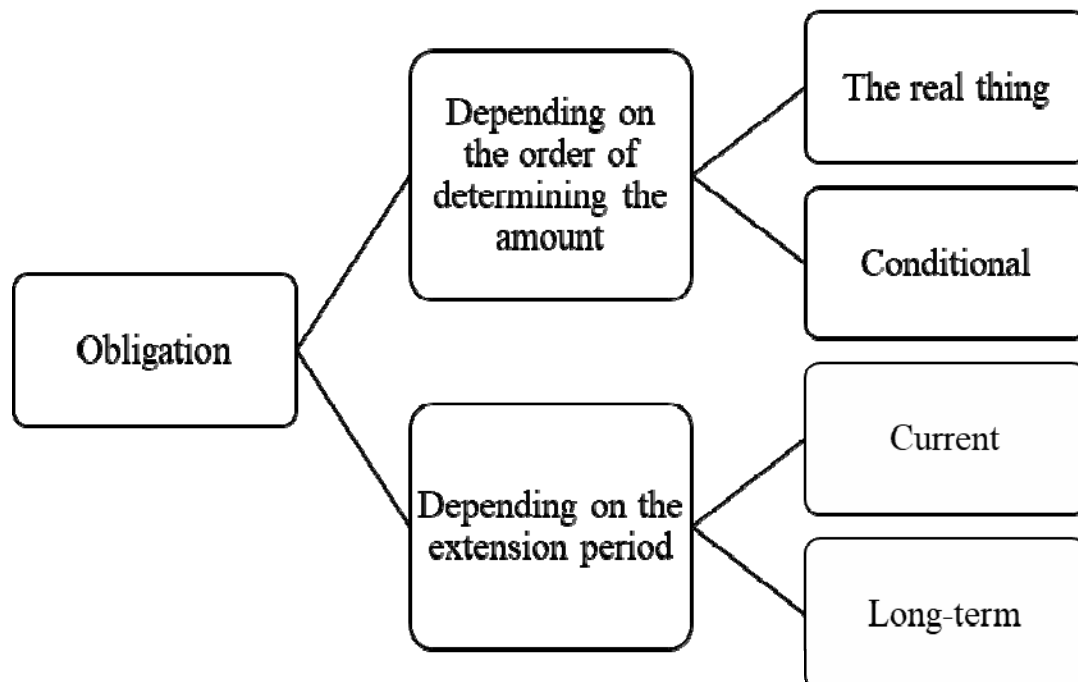


Fig. 2. Classification of obligations

Also, based on the practical necessity of management needs, it is advisable to separate from the general classification the amount of overdue payables that arose as a result of the buyers' violation of the order and terms of payment of settlement documents. The detection of this type of obligations is necessary to control the amounts of overdue payables, to establish the reality of their repayment, to calculate partial indicators of the financial stability and solvency of the enterprise, and even debts due to which the statute of limitations has expired. timely display in the profit and loss statement of the enterprise.

An analysis and generalization of the considered approaches to the classification of payables, which in this paper we consider both a system of economic relations and an element of current liabilities, which reflect in their movement a single process of circulation of financial assets of the enterprise and are an object of management, can be systematized according to in the following directions:

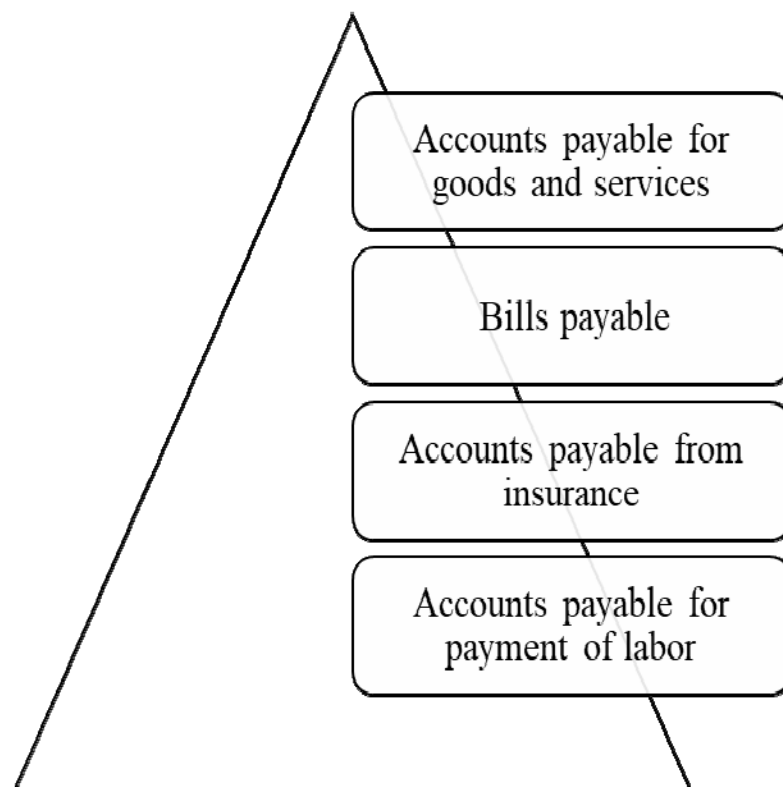


Fig. 3. Types of accounts payable

1. According to objects of relations arising in the process of formation of payables, one should distinguish commodity and non-commodity (settlement or payment) debts. Trade debt is related to relations of purchase and sale of products,

goods, works and services of a commercial nature. It arises in the process of commercial operational activity. Non-commodity debt serves relations regarding settlement transactions and payments. The object is various settlements with workers and employees, owners, the budget, extrabudgetary funds. This type of debt is related to both operational and financial activities of enterprises. Such a division is important for decision-making in the field of commercial activity, management of settlement operations and cash flows.

2. The debt of the subjects of relations must be divided into the debt of buyers, suppliers and other counterparties. The last group includes workers and employees, owners, budget, extrabudgetary funds, structural divisions (branches, subsidiaries). This grouping is important for the implementation of the management function in the management system.

3. According to the place of origin of debt relations in relation to the enterprise, they can be divided into external and internal. External - happens with counterparties who are outside the enterprise (suppliers, buyers, budget, extra-budgetary funds, etc.). Internal debt is formed within the enterprise itself in relations with workers and employees, owners, and structural units. The distribution of debt in this way allows you to clearly see the direction of cash flows.

4. According to the repayment terms, the debt can be divided into the debt for the maintenance of current activities and the current part of the long-term debt, the repayment term of which comes in the current period, which allows you to correctly assess the entire amount of debt for the current period. .

5. Debts can be divided into two groups: deferred payment and advance payments. This approach makes it possible to assess trust in relations with various counterparties.

6. If the terms of the contract are fulfilled, the debt may be payable before the due date, overdue or with deferred payment [7].

Thus, based on the analysis, it can be concluded that accounts payable at the enterprise is important, as it contributes to the organization of information, transparency and reliability of settlement transactions from debt obligations. Adequate maintenance of a stable financial position of the company is the key to its future monetary and economic situation.

Accounts payable greatly affects the economic activity of the enterprise and its financial results, which characterizes the necessity and importance of its

management.

Any enterprise, as a complex organization created by people for more effective use of their capabilities, organizes its activities in accordance with a certain set of interrelated goals, the definition and implementation of which requires appropriate coordination of actions, that is, management.

The Anglo-American school of management, which is most widespread in world practice, considers management as a process of conscious human influence on objects and processes and on the people participating in them, carried out with the aim of providing a certain direction of economic activity and obtaining the desired results. Management must bring order to the process, organize joint actions of people, harmonize and coordinate their activities. Management is a special kind of activity that transforms a disorganized crowd into an efficient, purposeful group.

In the management process, there is always a subject and an object. The subject is people whose functions include organization and management of the enterprise, i.e. managers. Object - workers, teams exposed to the influence of the subject.

The management process always consists of the implementation of certain functions represented by a set of management actions of the subject in relation to the management object. Their composition was first formulated by A. Fayol, who identified five basic functions of management: planning, organization, command, coordination and control.

Management is a process of planning, organization, motivation and control necessary to formulate and achieve specific goals.

Planning is one of the ways by which the management provides a single direction to achieve the common goals of the enterprise by the efforts of all its members.

The organization function allows you to structure the company's multi-element system: its divisions and management system; personnel, their functions and capabilities; types and tasks of work. The task of the organization is to ensure the formation of connections between individual types of activities at the enterprise, people and material resources to optimally ensure the achievement of the goal. There are a number of alternatives for this: organizational forms and models. The organization creates conditions for the implementation of plans and the achievement of stated goals.

Coordination is a process that ensures constant consistency and consistency of



management. The goal of coordination is to achieve consistency of actions of all elements of the management system. This function occupies one of the central places in the accounts payable management system due to its sensitivity to changes in external and internal conditions.

Control is the process of achieving certain goals set by the enterprise. There are three aspects of management control:

- establishment of standards - precise definition of goals that must be achieved within the specified time;
- Measurement of what has been achieved for a certain period compared to the expected result;
- taking measures to correct significant deviations from the original plan.

These functions interact with each other, forming a single process, that is, a continuous chain of interrelated actions. Decision-making and communication processes are the connecting link between management functions.

Decision-making is a managerial work that is mainly intellectual in nature. "The problem of decision-making arises when, given a certain state of the environment, it is necessary to choose the alternative that best contributes to the achievement of the goal from several alternatives of actions."

The main means of obtaining is communication.

Communication is the process of exchanging information and its meaning between two or more people. Information in the process of communication is necessary for decision-making, but also for the fact that these decisions can be implemented and controlled.

All management elements are interconnected by a system of goals that determine the direction of the company's development. Definition and formulation of goals is one of the leading stages in the system of strategic management of the enterprise. "The main common goal of the organization - a clearly formulated reason for existence - is defined as its mission. Goals are produced to achieve this mission." The goals of any enterprise are diverse, they are in a certain hierarchy in terms of value, time and space and are established for each type of activity, which, in the opinion of the enterprise, is important and the implementation of which must be observed and measured [8].

The company's accounts payable is a source of temporary, free raising of working capital of other subjects of the market economy, but it is also a source of

some financial risks in the company:

- the delay in repayment of payables may have negative consequences in the form of financial sanctions imposed on the enterprise in accordance with legislative documents (in the presence of arrears from taxes or other mandatory payments) or under the terms of contractual relations;

- an increase in the amount of payables leads to a decrease in the level of financial independence of the enterprise and worsens its economic security.

Therefore, indebtedness has both a negative and a positive effect on the company's financial and property status. Therefore, an important issue for the enterprise is the management of financial and economic security of accounts payable both at the stage of formation and at the stage of its repayment.

The basis of liability management is the choice of counterparties and a flexible system of settlements with it. The accounts payable management system includes analysis of the sources of its occurrence, management, control and selection of credit policy.

In order to eliminate the occurrence of accounts payable, it is necessary to constantly develop and implement measures to improve debt management.

Management of financial and economic security of accounts payable - optimization of the amount of the company's debt to other legal entities and individuals. Debt management at the enterprise is carried out according to two main options: optimization and minimization of accounts payable [2].

Optimizing accounts payable is a search for new approaches, with the help of which a change in accounts payable can affect the company's activities.

Minimization is a debt management mechanism in which existing debt is reduced as much as possible or fully repaid.

To manage the company's liabilities, it is necessary:

- determine the optimal structure of obligations for a specific enterprise and in a specific situation;

- draw up an accounts payable budget;

- to develop a system of indicators characterizing both quantitative and qualitative assessment of the state and development of relations with the company's creditors;

- analyze compliance with actual indicators;

- perform deviation analysis.

In order for relations with creditors to best meet the goals of ensuring the financial stability of the enterprise, increasing its profitability and competitiveness, it is necessary to develop a clear strategic line regarding the nature of attracting and using loan capital.

When developing an equity lending strategy, the company should proceed from solving the following priority tasks - maximizing the company's profit, minimizing costs, achieving dynamic development, establishing competitiveness - which ultimately determine financial sustainability.

An important stage in the accounts payable management system is the process of refinancing, i.e. returning funds to creditors.

The purpose of accounts payable management is to ensure timely accrual and payment of the funds included in it. The main stages of the company's accounts payable management are presented in figure 4.

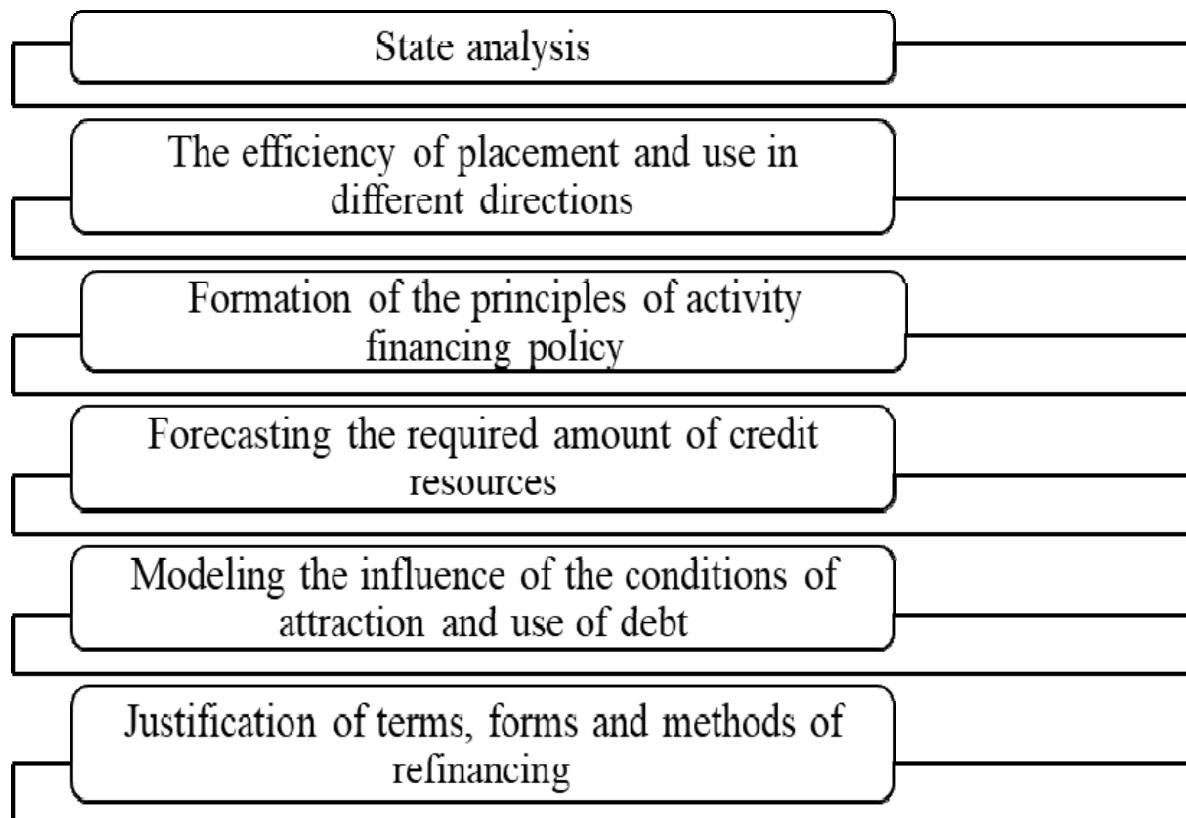


Fig. 4. The main stages of managing the company's accounts payable

The considered approaches to the management of accounts payable emphasize the high significance of these processes and their impact on the development of the enterprise.

Accounts payable management is closely related to the need to account for,

prevent and reduce a significant range of risks. Credit risk is the risk that the counterparty will not fulfill its obligations on time.

The main characteristics of the company's payables management process are presented in table 1.

The results of the study made it possible to understand that the management of the financial and economic security of accounts payable is a process of analyzing creditors, monitoring the relationship between them and developing a settlement policy with buyers and suppliers. Accounts payable management directly affects the profitability of the enterprise.

Loan funds occupy a significant share of economic activity.

Accounts payable are the company's current liabilities, which reflect debts owed to partners according to calculations, accrued for payment.

Table 1

The main characteristics of the enterprise's debt management process

Characteristic	Accounts Payable Management
Object	Economic relations with suppliers, buyers and other commercial creditors regarding the attraction and repayment of accounts payable.
Subject	Financial managers.
Objectives	Optimization of the size in the process of attracting debt from the position of increasing the potential of the enterprise and profit, acceleration of turnover in the process of use, timely return.
Implementation tools	Procurement policy and asset financing policy
Principles	Systematicity, complexity, responsibility, clarity, transparency.
Functions	Planning, control.

The company's liabilities are reflected in the third and fourth sections of the passive part of the balance sheet.

The formation of accounts payable should be considered as a part of the overall management system, related to decision-making regarding the creation of its optimal size, composition and ratio at the level of the economic entity. This process is guided by a set of assessment criteria: liquidity and solvency, financial stability, profitability and risks, which are a quantitative expression of management tasks focused on the main goals of enterprise development, such as profit maximization and optimization of available funds.

The quality of management is a set of properties that determine the possibility of creating conditions for the effective functioning and development of the enterprise. The quality of management is a characteristic not only directly of the management system, but also determines "the effectiveness of the enterprise's activity on the market, the manifestation of the extent to which the defined activity goals correspond to the state of the external environment, the products produced - to the requirements of consumers, the strategies used - the actions of competitors, etc.

Quality is formed at different levels of management allowing for its appropriate assessment. The purpose of assessing the quality of management is to determine the extent to which the formed management system meets the requirements of efficiency and competitiveness. In this regard, it is necessary to include the results of the enterprise in the system of management quality assessment indicators.

Assessment of management quality should be based on the method of pattern recognition, i.e. by comparing the evaluated system with the normative value. The size of the fluctuations of the indicators, their ratios and deviations from the normative values during a certain time period indicate the state of the quality of management.

The use of accounts payable is the process of organizing its movement and one of the stages of management, which is related to the maintenance of trade, technological and financial operations. The effectiveness of using accounts payable as a source of financing is related to its ability to bring both economic benefits and certain costs. In this regard, management will be effective if, as a result, the benefits will exceed the costs.

Let's dwell in more detail on the characteristics of the concept of "management system effectiveness".

The effectiveness of the management system is considered in two aspects:

1) achieving the greatest possible and best result with the help of the management system at a given level of management costs or achieving a given result with the least possible management costs;

2) the measure of ensuring the object of the management system of the effectiveness of the activity of the object of management.

This definition links the effectiveness of management with the effectiveness of the enterprise as a whole. In management theory, the concepts of "effectiveness", "efficiency" and "productivity" of the enterprise are distinguished.

At the same time, effectiveness is a consequence of the fact that "necessary, correct things are done." And efficiency is a consequence of the fact that "the same things are created correctly." If effectiveness is something intangible, then effectiveness can be measured and expressed quantitatively through the monetary assessment of consumption resources, produced and sold products. Relative efficiency is called productivity. The more efficient the enterprise, the higher its productivity [3].

The authors of the classic German textbook "Economics of Enterprises" consider efficiency in the key of the management process: "Decisions in the enterprise should always be made with such a calculation that, with the help of limited funds, optimal achievement of the set economic goals is ensured." From the point of view of decision-making, defining the goals of any economic system as the satisfaction of the needs and desires of individual people, such decision options are considered effective, for which "there is no better alternative of achievement, from the point of view of the goals and preferences of the individuals concerned. Reverse definition: the choice is inefficient if there is an alternative that will improve the position of at least one person without harming others."

Regarding accounts payable management, these approaches allow us to formulate that it is effective if two main conditions are met:

- 1) the adopted decision and its implementation bring the enterprise as close as possible to the set goals;
- 2) there are no other solutions that provide better results.

Thus, the effectiveness of the payables management process should be considered as a situation in which its size, composition and ratio ensure the optimization of profit or free funds, taking into account the priorities of the basic goals of the enterprise's development [4].

If the liquidity of the company's balance sheet is determined by the composition of assets and their ratio with liabilities, then the liquidity of debt is determined mainly by the speed and terms of its turnover.

These evaluation indicators belong to the group of indicators characterizing the efficiency of use and, therefore, the management of these objects.

If the debts themselves are a quantitative assessment of the resources used or invested, then one of the indicators characterizing the results of the activity is the sales revenue or the corresponding volume of debt turnover.

Performance evaluation is based on the study of indicators characterizing the ratio of results to costs or resources, and it can also be represented by a system of various indicators.

To calculate the rate of turnover of accounts payable, the cost indicators are used accordingly.

In the absence of sales and purchases for cash, the amount of the cost of sales fully reflects the amount of turnover of the corresponding debts, which is characteristic of the enterprise.

Turnover indicators play an important role in debt management decisions.

Based on the main goals of the current activity of enterprises: profit and the required amount of funds, we note the following points. Profit and money are the bottom line of any business. If profit is a key element of the "economic" base, then cash flow is the ultimate indicator of the "monetary" or financial base.

The basis of economic and financial bases is the ratio of input and output resources, the difference between which determines the effectiveness of the enterprise. This process can be represented by the following diagram (Fig. 5).

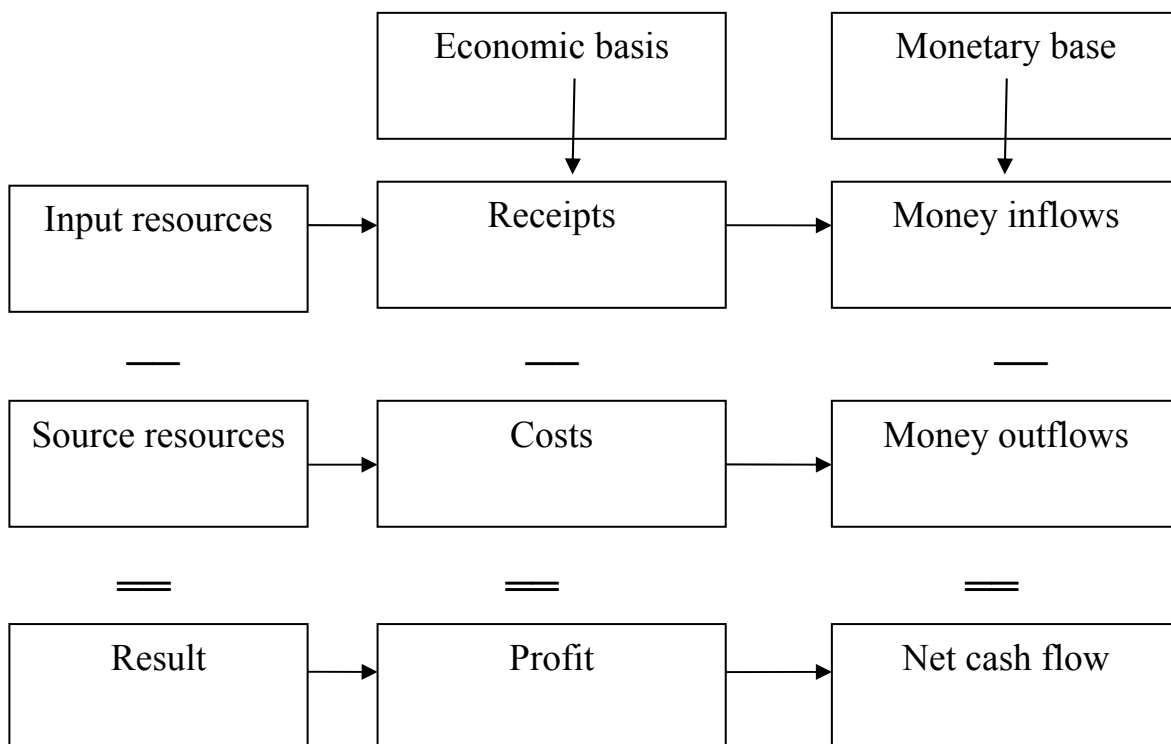


Fig. 5. Methodology for calculating indicators of financial results of the enterprise

Profit as a result of economic activity depends on the efficiency of sales and use of input resources, net cash flow is determined by the movement of financial and cash flows. In this situation, the ability of the management of enterprises, on the one hand, to convert profit into money, and, on the other hand, to ensure the receipt of profit, on the other hand, if funds are available, is important, since these processes do not always correspond to each other [8].

Funds are absolutely necessary for the enterprise. Without them, the company's activities would quickly cease. Funds in the conditions of the market and, especially, in the conditions of the financial crisis, are one of the most limited resources, therefore the success of the management of economic activities of enterprises is determined by the management's ability to rationally allocate and use them. However, large amounts of cash either do not bring profit at all or bring very low profit, so such cash must be present in a minimum amount to ensure daily payments, to create a reserve (insurance) reserve and an investment reserve (if the company plans future profitable investments).

The availability of one or another amount of funds on one or another balance sheet date is not yet a criterion for assessing the company's solvency. It is more important to know - changes in the amount of money during the period and the reasons that caused these changes. Changes in money occur as a result of their movement in the process of economic activity, which is characterized by such a concept as cash flow.

Cash flow is an integral indicator that links such enterprise parameters as the return on equity, the ratio of equity and debt capital, the turnover and liquidity of certain types of assets, the solvency of the enterprise as a whole, and other performance indicators. A rationally built system of cash flows contributes to the clear operation of an established economic mechanism for managing financial resources.

Cash flow is a complex structured concept. It includes the inflow of funds: proceeds from the sale of goods, works, and services - "positive cash flow", outflow of funds: expenses for the purchase of goods, works, and services. - "negative cash flow". The difference between positive and negative cash flows is "net cash flow", which characterizes the increase or decrease in free funds of the enterprise, and is a measure of the effectiveness of cash flow management [8].

Cash flows of enterprises are formed in the process of operational and financial



activities, among which the decisive role belongs to the operational. In the composition of cash flows of operational activity, the leading place belongs to accounts payable, as a significant part of payments. A discrepancy in time and amount to creditors can become a significant factor in the deterioration of the company's financial condition and cause bankruptcy.

In practice, there are two approaches to calculating cash flows - indirect and direct.

The indirect method reflects the relationship between net cash flow and profit, as well as the impact of various types of activities, changes in assets and liabilities on the results of the enterprise.

The main indicator in this case is profit, which is adjusted taking into account the results of non-monetary operations, as well as changes that occurred in operating working capital. This method allows you to determine where the profit is, or where "live" money is invested. Information for its use is available to both internal and external users [4].

Summarizing the results of the conducted research, we note that the management of accounts payable is a complex and multifaceted process that combines the functions of planning, organization, coordination and control. It is related to both sales and procurement problems. Its results directly affect decisions in the field of financial management [7].

Based on the general strategic goals of the company's development, this process mainly covers current and operational management. Disintegrating into separate components when working with creditors, it requires coordination of the actions of the management to agree on many parameters of debts and their agreement with the main indicators of the enterprise.

A high share of debts in the company's assets and liabilities affects not only their financial condition, but also indicators that determine their competitive positions: sales volume, expenses, profit, cost of capital.

If we briefly consider the main stages of the current credit management. Usually, the following can be identified as the debts of enterprises:

1. Analysis of accounts payable in the system of evaluating competitive positions and the financial condition of the enterprise.

2. Formulation and quantitative assessment of the basic goals of the current period, arising from the strategic goals of the enterprise's development.

3. Determination of the main standards (target indicators) characterizing the quality and efficiency of management in terms of such parameters as liquidity, solvency, financial stability, speed and consistency of debt movement, their profitability and risk level.

4. Agreed forecasting of the total amount of payables in accordance with the basic goals and main indicators of the enterprise.

5. Evaluation of forecast results according to target criteria. If the conditions of the standards are not met, then it is worth considering other forecast options.

6. Based on the possible agreed amounts of payables, a credit policy and a borrowing policy are developed accordingly, which determine all further operational work with creditors.

7. Current and operational control over the movement and status of debts.

8. Work on accounts payable.

Uncertainty and variability of the conditions of economic activity of enterprises significantly complicate the process of making management decisions in the direction of the future. The level of validity of such decisions depends on the management's ability to foresee possible development options. In this regard, forecasting, which is an integral part of planning, always precedes it when justifying management decisions.

A forecast is a probable representation of the occurrence of certain events in the future, which are based on observations and theoretical propositions. Forecasting is a procedure for predicting relevant indicators, results, future operations, consequences of the impact of certain events. The results of the forecast make it possible to identify potential problems of the enterprise.

The main stages of forecasting are:

- determination of forecast goals;
- assessment of the external and internal environment of the enterprise and its development prospects;
- justification and selection of forecasting methods;
- execution of predictive calculations;
- evaluation of the received forecast results.

The development of forecasts of economic indicators is based on certain principles of heredity and resistance to changes in indicators; the high importance of formalized models in the description of financial processes at the enterprise;

consistency and interdependence of changes in various financial indicators.

Regarding the forecasting of accounts payable, it can be supplemented with some specific principles:

- the principle of compliance, which assumes that the increase in payables has a strictly targeted purpose and can be used to increase inventories and receivables;

- the principle of constant need, according to which the ratio of debt growth must meet the established standards for changes in the level of liquidity. If it needs to be increased, then the increase in payables cannot exceed the increase in current assets, and vice versa;

- the principle of excess of funds boils down to the fact that in the process of forecasting, the enterprise must have a certain reserve of funds to ensure reliable payment discipline [5].

In this plan, accounts payable plays the role of a compensating variable, which, in the event of a shortage or surplus of monetary resources, is an additional permanent source of external financing.

Accounts payable, being an element of the balance sheet, is closely related to the formation of financial results and cash flows of the enterprise.

In this regard, the debt forecast should be based on a system of financial reports, which, on the one hand, are an accessible form of information, and, on the other hand, allow to consider the relationship between sales volumes, profit, assets and their financing, and as well as cash flow movements.

In fig. 6. the interrelationship of forms of financial reporting in the process of forecasting and the place of changes in payables and receivables in them are depicted.

The leading place in the composition of the enterprise's debt is occupied by the commodity component, the value of which is in a certain proportional dependence on the volume of sales with deferred payment.

The forecast of accounts payable should be based on the forecast of receivables, the general policy of financing current assets, the creditworthiness of the enterprise, that is, its position on the financial market. At the same time, it is important to take into account the principled approaches to the management of merchandise stocks and cash.

In the process of forecasting the main performance indicators, extrapolation and trend methods are widely used, which are most effective in conditions of stable development of the external environment and the availability of information about

previous dynamics.

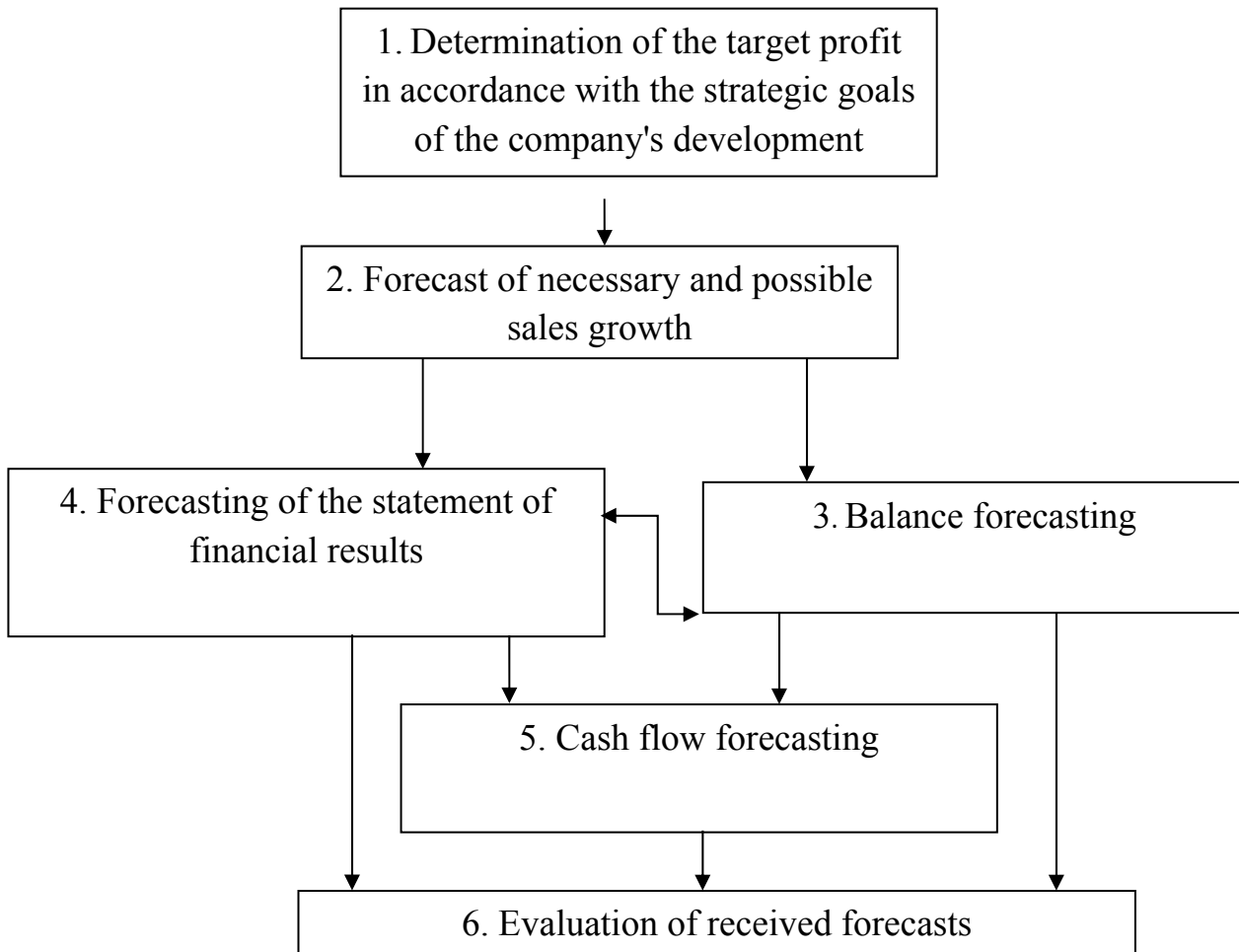


Fig. 6. Forecasting of accounts payable in the format of financial reports for enterprises

Trend dependencies can be linear, exponential, polynomial, logarithmic, and others. Expert judgments are used in both stable and unstable conditions.

In practice, the desired profit growth or expected sales growth can be established by the decision of the owners or management on the basis of average industry forecasts, the company's competitive policy.

Forecasting of financial indicators is based on analytical methods and models based on percentage (sensitivity, elasticity coefficients, etc.), balance and some other dependencies. In addition, target guidelines and standards may be used. Consideration of various forecast options can be carried out on the basis of simulation modeling, changing the most significant factors that determine the size of the main performance indicators [7].

An acute problem of management is the ability of creditors to be repaid as quickly as possible. To do this, it is necessary to constantly maintain a balanced amount of payables, ensure the turnover of the debt, monitor its real state and quality. Debt repayment within the terms planned by the credit policy is an opportunity to increase the company's solvency through replenishment of working capital.

In order to obtain reliable results from the management of payables at enterprises, it is necessary to determine internal and external factors influencing the formation and movement of debts.

External factors include the economic state of the state, the monetary and credit policy of the National Bank of Ukraine, the state budget deficit, tax policy features, the level of inflation, the availability of credit resources, the development of the financial market, the specifics of the product industry, market saturation, demand for manufactured products, the presence of competition in the industry, etc.

The profitability of the enterprise, financial stability, peculiarities of the technological process, the level of qualification of employees, and the level of responsibility for decision-making belong to the internal ones that relate directly to economic activity.

The process of the emergence of debt also depends on the presence of risks between mutual settlements. Such risks include the risk of unpredictable competition, the risk of an unreliable counterparty. Risk, as a component of the mechanism, is a way to protect the company's interests from non-payment.

Information support will allow the firm to operate with complete and reliable information on accounts payable.

The subjects of the company's accounts payable management are specific individuals who specify its purpose.

The objects are accounts payable in general, namely: for products, goods, works, services; according to calculations with the budget.

Effective functioning of the accounts payable management mechanism is based on certain principles: completeness; credibility; efficiency; phasing; dynamism; continuity; balance All principles are important for building an effective mechanism for managing the company's payables.

The main constituent elements of the mechanism are a set of defined functions: goal setting, planning, organization, motivation, accounting and control of liability management activities.

The most important component of the mechanism for enterprises is the control and adjustment of accounts payable. Control and monitoring is the most important element that affects the financial result of the enterprise. With the help of control, we can find out how efficiently the repayment of debt is taking place and how much it affects the state of the enterprise.

Thus, the proposed mechanism contains many components, the simultaneous action of which will allow obtaining a stable profit as a result of achieving the company's goals.

The developed structure of the payables management mechanism indicates the effective interaction of all elements and will ensure the financial stability of the enterprise. The result of the operation of the payables management mechanism at the enterprise is the minimization of payables. Effective debt management will allow you to realistically characterize the financial situation and make important strategic decisions to stabilize the situation on the market.

At the beginning of control at the enterprise, it is necessary to check the effectiveness, reasonableness and objectivity of the chosen strategy of relations with counterparties at the enterprise. Namely, it should include the conditions for granting or receiving a product credit, its security, payment term, effectiveness and feasibility of applying discounts, etc.

The order of classification of all customers is an integral component of control, because the distribution of debtors and creditors, which is the most complete reflection of the essence of all settlement operations of the enterprise, is the basis of successful management decision-making and achievement of set goals.

In order to eliminate the occurrence of overdue accounts payable, effective control over the timely repayment of the company's debts to suppliers (contractors), it is proposed to improve the analytical accounting of settlements with them by introducing an analytical document into the document flow of the accounting system, namely, "Details of settlements with suppliers (contractors)".

This document is proposed to be kept for each supplier or contractor. The form of the proposed information is built in such a way as to reflect all operations that were carried out by the enterprise with a specific supplier (contractor) during the year (receiving goods and material values (services) for a specific delivery; receiving a prepayment for a specific delivery; paying arrears for a previously received delivery).

Keeping this information will enable the specialist responsible for the

correctness and timeliness of payments with suppliers and contractors to correctly plan the balance of payments every day and make timely repayment of accounts payable.

The statement of settlements with suppliers (contractors) will contain the following information.

- specific supply of goods and material values (services);
- conditions of sale of goods and material values (services), namely the form of the civil law contract according to which the delivery is made, its number and date of conclusion;
- subscription for the supply of goods and material values (services);
- the actual debt for this delivery;
- debt for previous deliveries;
- the date and amount of the actual repayment of the debt for a specific delivery;
- unpaid balance and overdue debt to a certain supplier;
- other conditions regarding settlements with suppliers and contractors.

The analytical list of settlements with suppliers and contractors is filled out on the basis of the following primary documents: sales contract; payment order; waybill or invoice; acceptance-transfer act; advance report.

The responsibility for keeping this information and making certain management decisions regarding settlements with suppliers and contractors is proposed to be assigned to the deputy chief accountant.

The developed analytical document is proposed to be kept for a year, after which it is closed and transferred to the archive, where its preservation period is 3 years. Balances are transferred to the newly created document of the next reporting period.

The accountant-materialist is responsible for providing information regarding the receipt of goods and material values (services) from suppliers (contractors) for filling out the above analytical information.

For the timely provision of primary documents regarding the receipt of goods and material values (services) from suppliers (contractors), it is suggested to develop an auxiliary document that will contain relevant information from the accountant-materialist, namely, "Certificate on the receipt of goods and material values (services) from suppliers (contractors)".

It is proposed to keep the "Receipt of receipt of goods and services from suppliers (contractors)" in chronological order for each date of delivery.

The document will contain information on:

- delivery dates;
- provider code;
- delivery document;
- delivery amounts and terms of sale.

The accountant must hand over the duly completed certificate for processing (filling in "Information on settlements with suppliers (contractors)") to the deputy chief accountant no later than the next day when this certificate was created.

After processing, certificates for a certain calendar period are stapled and transferred to the archive, where they will be stored for 3 years.

Keeping the proposed analytical documents at enterprises will improve accounts payable accounting by ensuring clear control of the timeliness of payments for each delivery of goods and material values (services), thereby increasing the level of payment discipline of the enterprise.

So, in the conducted scientific research, the characteristic features of the formation of accounting and analytical support for the management of payables in the context of assessing the level of financial and economic security of the enterprise were determined, the main factors of the growth of the payables of the enterprise were identified, the types of payables were analyzed in terms of counterparties of the internal and external environments of the enterprise, the main ones were determined directions for the classification of payables in the system of ensuring financial and economic security of the enterprise, the influence of payables on the level of financial and economic security of the enterprise. A detailed analysis of subsystems of accounting and analytical support of accounts payable management in the system of financial and economic security of the enterprise was carried out.

One of the tangible problematic aspects accounting and analytical support for assessing the level of financial and economic security enterprises have a large amount of information that specialists need to work out in the process assessment Rework and analyze such a large volume of data on financial the economic condition of the enterprise is now possible only through active use modern information technologies [9].

In addition, in the process of carrying out scientific research determined that



creditor the company's debt can vary influence the level of its financial and economic security.

Accounts payable can have different effects on activity enterprise and the level of its economic security, and therefore it is important to implement rational management of the level of such debt to the ratio between the specified influences was optimal and acceptable for the enterprise.

It is not possible to carry out such management without proper accounting and analytical support of the specified process [10]. It has to be built at the enterprise as information system that combines methods and technologies of accounting and analysis and includes three main subsystems.

So, problematic aspects of accounting and analytical support of accounts payable management in the context of evaluation the level of financial and economic security of enterprises are:

- firstly, from the imperfection of the mechanism carrying out an appropriate assessment of the level of financial and economic security of the enterprise through lack of a comprehensive global approach to the diagnosis of the financial and economic state safety of business entities;

- secondly, with low quality of answers lack of information resource full automation of the accounting system.

In the conducted scientific the study established characteristic features the formation of accounting and analytical support for the management of accounts payable in the context of assessing the level of financial and economic security of the enterprise, the main factors of the growth of the company's accounts payable were identified, the types of accounts payable in terms of internal counterparties were analyzed and the external environment of the enterprise, the main directions of the classification of accounts payable in the system of ensuring the financial and economic security of the enterprise, the influence of accounts payable on the level of financial and economic security of the enterprise. A detailed analysis of subsystems of accounting and analytical support was carried out accounts payable management in the system of financial and economic security enterprises.

Prospects for further research can be seen in the formation of the author's methodology assessment of the level of financial and economic security of the enterprise, as the main direction analytical support of management decisions management of any management entity business.

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### **3.3. INFORMATION SECURITY OF MANAGEMENT OF THE SYSTEM OF ECONOMIC SECURITY OF THE ENTERPRISE AND ITS IMPROVEMENT**

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**Summary.** In the modern conditions of information transformation, the need to ensure the protection of information resources of the enterprise appears quite acutely.

Of great importance in the management system of economic security of an agrarian enterprise is information support, which is a set of information, accounting, regulatory sources and methods of assessment and analysis of the level of economic security of the enterprise.

The issue of protection of information sources during the processing, storage and exchange of accounting and management data and the development of a plan to minimize the impact of possible threats and dangers of various origins during the activity of agricultural enterprises require constant attention.

Since threats to the information security of the enterprise can arise under the influence of both internal and external factors, ensuring the appropriate level of information protection is important for the decision-making process of the management and directly affects the state of economic security of the enterprise

**Keywords:** economic security, security management, information security, ensuring information security, information protection

Modern business conditions encourage businesses to open up new opportunities and make more creative and technical decisions. This process is always accompanied by increased vulnerability of the enterprise, which can worsen the state of its economic activity. Therefore, it is important to focus attention on the issues of creating an effective system for ensuring the economic security of the enterprise.

The relationship between economic security is mostly determined by the multifaceted interpretations and is related to such concepts as "risk" and "danger". This interaction is based on uncertainty, and is a source of potential threats to the company's security. This requires a deeper study of internal and external factors that can affect economic security. Understanding and systematizing different types of threats can allow businesses to respond in time and prevent their occurrence.

Let's consider the concept of "security", which is interpreted from the Greek language as "owning the situation". This category is usually understood as a state of security or a state of absence of threats, in which all the vital interests and needs of a person are preserved and the conditions for its normal functioning are met. Ensuring security includes such aspects as physical, social, informational and economic security and is aimed at ensuring stability and protection from dangers.

At the end of the last century, especially during the rapid development of

economic ties and technological progress, the concept of "economic security" began to be widely used.

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At the end of the last century, especially during the rapid development of economic ties and technological progress, the concept of "economic security" began to be widely used.

In addition, it is equally important to develop and implement effective strategies and policies aimed at preventing negative impacts and ensuring the enterprise's resilience to various economic and financial challenges. Successful management of economic security also involves constant monitoring and updating of security strategies and measures in order to adapt to the changing conditions of the external environment and the constant evolution of market conditions. A key aspect of economic security management is also the involvement and support of personnel involved in the decision-making process and implementation of security strategies. An informed and trained workforce is an important resource for effective risk management and economic challenges. Finally, cooperation with stakeholders such as partners, customers, government authorities and other interested parties plays an important role in ensuring the economic security of the enterprise. Interaction with

stakeholders can facilitate information sharing, joint problem solving, and risk minimization. We will define and analyze the constituent elements of economic security (Fig 1.).

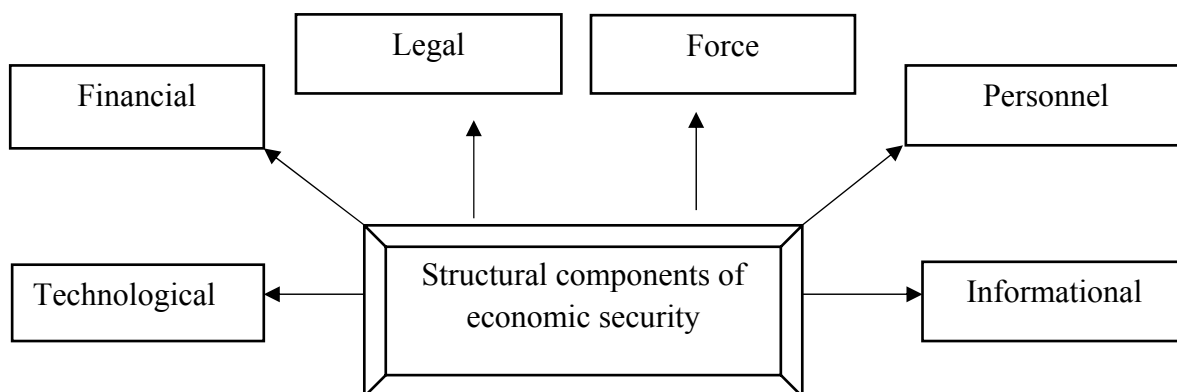


Fig. 1. The general structure of elements of economic security of the enterprise

The structure of elements of economic security is individual for each enterprise and depends on various influencing factors. The specified security elements closely interact with each other and form the foundation for the sustainable development of the enterprise. Considering each component of economic security separately, it can be determined that some of them are aimed at solving internal production aspects. This includes financial security, legal security, environmental security, force security, personnel security - all of them are important, but in our opinion, information security acquires special importance in today's conditions. In the conditions of military aggression against our country, it became obvious how important it is to timely identify and protect information, preserve its confidentiality and integrity.

With the intensive development of private property and telecommunication technologies, information security occupies one of the important places in the structure of economic security of enterprises. Reliable preservation of any information about the enterprise or its employees is crucial for the development and reduction of risks of the enterprise at all stages of its activity.

The information component in the system of financial and economic security acts as an integral part of management and strategic decision-making at the enterprise. It provides management with the necessary basis for analyzing the current financial situation and forecasting future prospects. Information support includes the collection, processing, analysis and interpretation of financial data, which allows you to make informed decisions at different levels of management. The importance of the information component lies in the fact that it contributes to the timely detection of risks, fraud and other potential threats to the financial stability of the enterprise.

Proper management of information flows allows you to effectively respond to changes in the internal and external environment, maintain a competitive advantage and ensure stable development. In addition, proper information support ensures compliance of the company's financial activities with the requirements of legislation and international standards. The informational component also contributes to increasing transparency and trust in the company's activities among stakeholders. Summarizing, information security acts as an important tool for managing financial and economic security, which determines the success and sustainability of the enterprise in the modern business environment. Information security is a multifaceted concept that is considered by modern scientists from different perspectives.

Information security is a key aspect of today's digital environment, defined as the protection of information from unauthorized access, loss, or destruction. Ensuring information security involves the implementation of technical, organizational, and legal measures to ensure confidentiality, integrity, and availability of information. In today's world, information security has become especially important due to the proliferation of cyber threats that threaten both the corporate sector and government systems. The concept of information security covers such aspects as protection against cyber attacks, protection of personal data, security in information systems and networks. The importance of information security lies in the fact that it affects the stability of the economy, the protection of state secrets, the privacy of personal information, as well as the ability to innovate and develop. Inadequate information security measures can lead to serious consequences, including financial loss, breach of trust and breach of privacy. Thus, effective management of information security is an integral component of modern risk management strategies and protection of the interests of organizations and society as a whole.

From a classical point of view, information security is a set of rules and tools that protect sensitive (important, confidential) information from misuse, corruption, unauthorized access or destruction.

Having analyzed various points of view of scientists, we highlight the main concepts of this concept of "information security":

- State of security of the information environment;
- The process of managing risks and dangers aimed at ensuring the sovereignty of Ukraine;
- Protection of the rules established by law, according to which information

processes take place in the state;

- An integral part of political, economic, defense and other components of national security.

Many of the latest technologies are involved in the work of modern enterprises, which actually replaced paper media and facilitated the processing, collection, use and storage of information. At the same time, placing confidential information on digital media significantly increases the risks of theft, distortion, alteration, recording and destruction of information. These threats indicate low protection of the company's information security system.

Let's determine the primary goals and objectives of the information policy, which determine the foundations and formation of the enterprise's security system. The main objectives of the information policy include:

- ensure preservation of confidentiality (sensitivity) of information;
- ensure the completeness and integrity of information data (guaranteeing the inviolability of data);
- compliance with the requirements of legislation, regulations and standards of information security according to which the enterprise is managed;
- ensure the availability of information (maintaining continuous access to information);
- training of employees and their awareness in the field of information awareness;
- monitoring of information systems to identify and timely respond to potential threats;
- destruction of confidential information that has lost relevance for the enterprise, but can be used by third parties;
- ensuring compliance of information processes and systems with data security standards and regulations;
- determination of responsibilities and duties of personnel in the field of information protection, as well as control of their implementation;
- ensuring backup and recovery of information in case of its loss or damage;
- establishment of information protection audit and monitoring mechanisms to assess the effectiveness of security measures;
- development and implementation of incident response procedures for quick and effective resolution of information security breaches;



- ensuring constant improvement of information policy and security measures in accordance with changes in the internal and external environment of the enterprise.

When determining the tasks that precede the formation of information security, it is necessary to conduct research and identify possible threats.

The concept of "threat", in this case, can be interpreted as a violation of the state of information security and encroachment on the appropriation of information. At the same time, such threats can arise both inside the enterprise and from the outside.

Threats to information security are a set of existing and potential factors that pose a threat to the interests of both individuals and society in the information space. These include:

-threats from the influence of unreliable information on the material condition and performance of the enterprise;

-threats from unauthorized and illegal influence of third parties on the company's information assets;

-threats to the company's informational rights (the company's intellectual property rights, the rights to use and transmit information, to disseminate information, etc.).

Informational threats that carry danger can be determined by various factors: natural (natural disasters, fires, earthquakes, floods, etc.) and anthropogenic. Anthropogenic factors include threats of a random nature. These can be errors in the processing and exchange of information and threats made on purpose. Often, such errors occur as a result of mistakes made by the company's employees themselves. Accidental and intentional threats negatively affect both information users and the effectiveness of the enterprise.

Threats to information security should be divided into those that arise inside the enterprise and those that come from outside. Internal threats include:

- irrevocable loss of information as a result of unprofessional actions of employees;

- unintentional or intentional distortion of information;

- negligence of personnel;

- low state of awareness of employees in the field of information security;

- leakage of confidential information to internal employees;

- improper use of technical means.

External threats to information security include:

- leakage of confidential information as a result of inadvertent actions of employees of third-party institutions;
- leakage of confidential information as a result of deliberate actions of employees of third-party institutions;
- malicious software, hacker attacks, spam;
- illegal activity of competitors;
- physical threat to the life and health of an employee, a carrier of confidential information;
- natural phenomena.

The lack of a timely response to such threats can lead to problems in cooperation with partners, damage to the business reputation of the enterprise, damage or complete loss of information resources, as well as financial losses and other negative consequences. A slow or ineffective response to information security threats can also lead to a loss of trust from customers and partners, which can affect the profitability of the enterprise. Inadequate information protection may violate data privacy laws and lead to regulatory sanctions. In addition, information security incidents can cause a loss of competitive advantage because they can become the subject of public criticism and negative feedback. Breach of data confidentiality or integrity may also result in legal action from affected parties or customers. In addition, a negative impact on the company's image can occur due to irresponsible management and the lack of an effective crisis management system. For example, a poor response to security incidents can lead to panic among customers and investors, which can cause a company's stock value to fall. In summary, protecting information security is critical to ensuring the sustainability and success of any organization in the digital world.

The vulnerability of an enterprise to internal and external threats is determined by various factors and is individual for each enterprise. Balanced management decisions aimed at ensuring the economic security of the enterprise affect the reliability of information and make it possible to correctly use information for adaptation to changes and strategic development. Therefore, the main task of information security of the enterprise is to prevent the use of its important information resources by external users, as well as the accumulation of important information by competitors about the internal activities of the enterprise. This means

ensuring that only authorized users have access to critical information, ensuring data integrity and protecting it from unauthorized changes. Preventing the leakage of confidential information outside the enterprise is an important component of information security. This includes protection against malicious actions by external actors such as cybercriminals, spies or competitors. The enterprise must also implement strategies to protect against internal threats, such as employee negligence or abuse of access privileges. Effective management of access to information resources includes the application of the principles of the necessary minimum and the principle of division of duties. Regular inspection and audit of information systems helps to identify possible weaknesses and ensure their correction. The development and implementation of a security policy that covers both technical and organizational aspects is a key element of an effective information security strategy. Staff training on security issues and practical aspects of using information systems also plays an important role in ensuring the security of the enterprise. Summarizing, the information security of the enterprise requires a comprehensive approach and constant improvement of protection strategies and measures.

Therefore, special attention is paid to aspects of interaction and coordination of all departments of the enterprise in the process of collecting, processing and storing important information. All received information can be classified according to the appropriate levels of sensitivity (importance, confidentiality). The degree of sensitivity of the information is decided by the management of the enterprise.

The first level includes "critically important" information - information, the leakage (distribution) of which can lead to significant negative consequences of the operation of the enterprise and poses critical financial and image threats.

The second level includes "important" information - information, the leak (distribution) of which causes material and image damage and significantly affects the efficiency of the enterprise.

The third level includes "useful" information - information, the leak of which causes material damage to the enterprise, but does not affect its effective operation.

The fourth level includes "insignificant" information - information, the leak of which does not cause material damage to the enterprise and does not affect its activities

The information of the first three levels is the most sensitive (it is considered a commercial secret) and is an influential resource of the enterprise. Information

security is an important component of management, ensuring the protection and preservation of valuable information.

To ensure information security, it is necessary to solve a number of tasks to ensure the dynamic and effective development of the enterprise. The development and availability of an effective information security plan will provide an opportunity to take into account possible threats taking into account the specific directions of the enterprise. When developing an information security plan, special attention should be paid to solving the following tasks:

- 1) provision of management personnel with the necessary information to make balanced management decisions;
- 2) timely prediction and assessment of threats to the enterprise's activity;
- 3) prevention and minimization of possible threats to the enterprise;
- 4) predict the causes of dangers and threats to information resources that affect material damage and disruption of its stable functioning;
- 5) create a mechanism for rapid response to identified dangers to the company's information sources;
- 6) develop an information policy and regularly conduct work with the employees of the divisions regarding the issues of ensuring the protection of the confidentiality of the company's information sources;
- 7) determine the circle of employees who have access to the use of information sources of the enterprise and control to prevent the dissemination of information to persons who do not have access to such information both internally and externally;
- 8) develop a procedure for destroying confidential information that has lost its relevance for the enterprise, but can be used by third parties.

The main goals of ensuring the information security of the enterprise:

- searching for and obtaining information necessary to ensure the effective development of the enterprise and its security system in the conditions of the occurrence of risks, threats and dangers of the market economy;
- exclusion of the use of unreliable information in the enterprise management system;
- prevention of unauthorized access to information resources of the enterprise;
- prevention of leakage, theft and loss of information;
- prevention of distortion and falsification of information used in enterprise management;

- prevention of unauthorized actions to destroy, copy and block information;
- protection of intellectual property rights at the enterprise.

Information security as an important element of economic security covers all processes of enterprise management, including measures to ensure the completeness, integrity and availability of information sources. Ensuring the completeness of information sources includes measures to preserve all necessary information without loss or distortion. Protecting data integrity involves preventing unauthorized changes or loss of information that could lead to erroneous decision making. Ensuring the availability of information resources is important for ensuring uninterrupted business processes and prompt response to changes in the environment. Information security also includes measures to protect against the leakage of confidential information, which can cause significant losses to the enterprise. Effective information security helps to prevent risks of financial losses, as well as to maintain the trust of customers and partners. Ensuring information security helps to increase the productivity and efficiency of the enterprise. It also helps to reduce the risks of offenses and loss of reputation. The introduction of information security standards contributes to the harmonization of management processes and ensuring security at the level of international standards. Summing up, information security is a necessary condition for the sustainable and successful functioning of any enterprise in the modern digital environment.

An optimally formed information security plan will give the enterprise the opportunity to achieve economic stability and effectively resist threats of various nature, which contributes to the reliable protection of important information and ensuring the smooth functioning of business processes. Optimizing information security helps a business improve its reputation and the trust of its customers, as they can be sure of the security of their data and the confidentiality of the information they provide. In addition, effective information security management can reduce the risks of legal and financial losses related to potential privacy breaches or data loss that may occur as a result of cyber attacks or internal security breaches. In general, an optimally formed information security plan becomes a strategic tool for achieving the stability and success of the enterprise in the conditions of the modern digital environment.

Ensuring legality and compliance with current legislation is an important element in the management and decision-making system at every enterprise. The

legal reflection of information security is a set of legislative norms and standards aimed at regulating the processing, storage and transmission of information in order to prevent unauthorized access, leakage or violation of data confidentiality. This system of measures determines business rules, defines security standards, and establishes responsibility for non-fulfillment of information security requirements. In addition, the legal regulation of information security may include mechanisms for checks and audits to ensure compliance with security standards. Legislation in this area may also determine mandatory requirements for reporting and documenting information security procedures. This helps preserve evidence of compliance with legal requirements and compliance with safety standards. Summing up, the legal regulation of information security establishes the basic principles, requirements and responsibilities necessary to ensure the security and protection of information in the modern digital environment. Legal protection of information sources is determined by a significant amount of regulatory and legislative framework both at the international and state levels. In our country, the main document that defines the security provisions is the Constitution, which indicates that: "a person, his life and health, honor and dignity, inviolability and safety are recognized as the highest social values in Ukraine." There are a number of current regulatory documents on information protection, including: Law of Ukraine "On Information", Law of Ukraine "On Protection of Information in Information and Telecommunications Systems", Law of Ukraine "On State Secrets", Law of Ukraine "On Protection of Personal Data" , Resolution of the Cabinet of Ministers of Ukraine "On the procedure for record-keeping, storage, use and destruction of documents and other media containing official information" and others.

Requirements for the formation of information security must be taken into account at all levels of legislation and cover various aspects of information protection. This approach will contribute to the effective protection of information of various industries at all levels of legislation:

- Constitutional legislation - norms and rules on information protection included in the constitutional legislation (Constitution of Ukraine);

- General legislation - rules on informatization and information protection, laws, codes (on property, on citizens' rights, on citizenship);

- Laws on the organization of management in relation to individual structures of the economy, economy, and state bodies, including issues of regulation and

protection of information;

- Special legislation - a set of legal norms regarding ensuring information security of various sectors of the economy (Law of Ukraine "On Information", Law of Ukraine "On Protection of Information in Automated Systems");

- Law enforcement legislation - provisions and norms of responsibility for violations in the information sphere.

Examining the legislative framework, a separate section can be used to highlight special legislation, which defines the legal foundations of various areas of enterprise activity. Such regulatory documents include the Law of Ukraine "On Information" and "On Protection of Information in Automated Systems". These laws establish the basis of legal definition of important elements of information activity, such as: information and information system; subject of information processes; owners (sources) of information, etc. Therefore, the protection of information of enterprises of various fields at the legislative level is ensured by a complex of different-level legislative acts, starting from the Constitution of Ukraine and ending with internal documentation: agreements, contracts, developed regulations, accounting and management accounting data that are subject to protection.

When forming the information policy at the enterprise, it is necessary to thoroughly work out the sections and articles of the Law of Ukraine "On Information", review and analyze the Resolution of the Cabinet of Ministers of Ukraine "On the procedure for record-keeping, storage, use and destruction of documents and other media containing official information", and as well as the main legal framework related to information security of the enterprise. This guarantees compliance of the information provision of the company's activities with legal norms and will reduce the risks of violations.

When making effective financial decisions, managers must have full information about the financial status of the enterprise.

Information sources provide the necessary information for making strategic decisions, protecting confidential information, and also ensure timely detection and response to threats and incidents in the field of cyber security. Information sources are divided into:

- Internal sources - information that is created, processed and stored within the enterprise itself. These can be databases, financial reports, reports on enterprise activity, event logs, and more. For example, internal customer databases can help

ensure the security of personal data.

- External sources - information that comes from outside the enterprise and can be useful for analyzing the market, competitors, potential threats, etc. This may include predictive analytics reports, cyber threat reports and others. For example, cyber threat reports from external sources can help identify potential risks to information security.

- Expert sources - information that comes from experts in the relevant fields or consultants. This may include consulting with cyber security specialists, legal advisors on data protection compliance, etc. For example, consulting on the implementation of data protection measures can provide a better understanding of potential threats and measures to prevent them.- Specialized information services and software tools - information systems and programs that specialize in collecting, analyzing and monitoring information about cyber security threats. These can be intrusion detection systems, antivirus programs, network monitoring programs, etc. For example, intrusion detection systems may detect abnormal network activity that may be a sign of a cyber attack.

The importance of these sources is that they help businesses collect, analyze and use information to ensure the security of their information and data. They help to respond to threats in a timely manner and effectively manage risks arising in the field of cyber security.

An important category of information sources is accounting information for ensuring the economic and informational security of the enterprise. It includes all information related to financial activities, accounting of resources, financial reports and other financial data of the enterprise

Account information is a key aspect in the information provision of the enterprise's economic security system. In order to make correct and well-founded decisions, the manager needs prompt, high-quality and timely information about the company's activities and financial condition. This can minimize the existing risks and dangers and ensure the sustainable and efficient development of the company. Correctly organized accounting information allows management to obtain a complete and objective picture of the company's financial activity. It includes:

- information about the financial state of the enterprise, such as profit and loss statements, balance sheets, cash flow statements. This information helps to identify financial risks and make financial management decisions;



- detailed information on all operations carried out within the framework of the company's activities. This includes records of purchases, sales, payment transactions, payroll, etc. This information helps detect fraud, internal espionage and other types of financial manipulation;

- information necessary for compliance with tax legislation and reporting to tax authorities. It contains important data about taxable income, expenses, tax obligations;

- generalized information (reports) compiled by independent auditing firms that check the company's financial statements. These reports help confirm the reliability of financial information and identify possible violations or deficiencies in accounting;

- computer systems used to automate financial accounting, including accounting, cost control, inventory management, etc. They help ensure the accuracy, integrity and confidentiality of financial information.

Accounting information is the basis for making financial decisions, as well as an important source for identifying and managing risks in the field of finance and accounting.

In addition, accounting information allows analyzing the efficiency of the use of enterprise resources, identifying potential sources of cost optimization and increasing profitability. This helps the management to make informed decisions regarding investment, development of new projects and strategic planning. Operational and timely accounting information is a key factor in risk management and adaptation to changes in the financial environment. It allows you to quickly react to changes in market conditions, strategically review business plans and, if necessary, adjust them.

Properly organized accounting information is also important for compliance with legal requirements and financial reporting standards. It allows the enterprise to avoid fines and other negative consequences associated with violation of requirements in this area.

Obtaining operational, high-quality and timely accounting information is key for managers in making correct and well-founded financial decisions. This allows them to analyze the financial state of the enterprise, identify trends and predict future results. Knowledge of current financial data allows management to respond in time to changes in the internal and external environment. This helps reduce risks and ensures more accurate management of the company's financial resources. Access to accounting information allows managers to identify effective and ineffective aspects

of operations, which allows to optimize business processes and increase profitability. Account information is also important for internal and external audits, which helps to ensure compliance of the company's activities with legislation and standards. However, insufficient or inaccurate accounting information can lead to incorrect decisions and losses. Therefore, it is important that accounting information is reliable, valid and adequate. Ensuring the accuracy and availability of accounting information may require the development of effective accounting and reporting systems, as well as training of personnel in the proper collection and analysis of financial data. Summing up, accounting information plays an important role in the process of enterprise management, providing management with the necessary data for effective strategic and operational decision-making.

Accounting indicators are important sources of information when carrying out activities at the enterprise. On the basis of these data, it is possible to objectively establish and evaluate the financial condition of the enterprise and the prospect of its development.

Sources of information can be various accounting documents. The presence and movement of cash funds of the enterprise is reflected in income and expenditure orders, journals of registration of documents on the receipt and outflow of cash, generalized information on cash funds is formed in the cash book and registers of synthetic accounting by account. In addition, cash flow information can also be gathered from bank statements, which reflect all financial transactions related to the company's bank account, such as account top-ups, cash withdrawals, payments, interest accruals, etc. Additionally, cash flow information can be stored as part of a company's financial statements, such as a cash flow statement, which shows all cash flow over a period of time, allowing management to analyze financial results and make informed management decisions.

Information about the availability and movement of funds in bank accounts (non-cash settlements) is reflected in the bank statement, which is generated by the bank institution in which the company's current account is opened. The account statement is formed on the basis of such primary documents as a payment order, a payment request of the order. In addition, the bank statement may include information about commission costs, bank interest and other costs related to account transactions. These data are used to monitor the movement of funds in the company's bank account, as well as to prepare financial statements and analyze the company's

financial condition. A bank statement is an important source of information for the company's management when managing financial resources and making strategic decisions

Documents such as an invoice, an expense invoice (recording the fact of receiving goods), a goods transport invoice (contains information on the transportation of goods from the seller to the buyer) are the sources of information on transactions involving the purchase and sale of products. Information, Primary information about the completion of any works and their acceptance by the customer are reflected in the Act of completed works. The accounting certificate is an important source of corrected information after accounting errors have been corrected.

Synthetic and analytical accounting information is the basis for the formation and generalization of financial reporting indicators. In turn, financial reporting is an important source of information that users use to assess the current state of business and make management decisions for the further development of the company.

The founding documents of the enterprise are important sources of information. Such documents include the articles of association, the founding agreement, and the order on the accounting policy.

The charter of the enterprise contains data on: the owners of the enterprise, determining the size of the shares of each of them, the full name of the institution, the form of ownership, types of activities, legal address, defines the subject and goals of the activity, the composition of the property of the enterprise, the terms of termination of activity and other information necessary for the management of the enterprise . The charter of the enterprise is an important tool for the management of the enterprise, as it defines the basic principles and rules according to which the enterprise functions and establishes the framework for making strategic decisions. Its careful implementation is key to ensuring the stability and success of the enterprise

An important source that determines the methods of organization of accounting at the enterprise is the information data of the order on the accounting policy. This document informs about the selected principles and methods of accounting, namely: methods of estimating the disposal of stocks, methods of calculating depreciation of fixed assets, methods of revaluation of non-current assets, the order of payments and distribution of profit, the order and basis of distribution of general production costs and other information that affects indicators financial result of the enterprise. This

document also establishes the bases for the distribution of general production costs, which helps to determine the cost of production and the final cost of products. The information order on the accounting policy is a tool for ensuring internal control over the company's financial activities and compliance with accounting standards. Compliance with the principles and methods established in the order helps to avoid errors and risks when preparing financial statements. An accounting policy order may also include requirements for documenting financial transactions and keeping records. Summarizing, this document is an important element of managing the financial activities of the enterprise, which defines the main accounting principles and rules necessary to ensure the accuracy and reliability of financial reporting.

The provision of information allows the enterprise to monitor, analyze and systematize various areas of its activity in detail, which helps to respond to threats in a timely manner, which ensures the security of the enterprise. An effectively developed accounting system is the foundation of the information support of the enterprise management system. The accounting system, in which financial data appears, is an extremely important component of this process. It not only ensures the accuracy and reliability of financial reporting, but also allows the company's management to identify trends in financial indicators in a timely manner and analyze them. Thanks to the accounting system, it is possible to effectively monitor the movement of funds, control expenses and income, assess the financial situation of the enterprise and identify possible risks and threats in a timely manner. This allows you to avoid financial difficulties and ensure sustainable business development. In addition, the accounting system ensures compliance of financial statements with the requirements of legislation and standards, which is important for the enterprise as a legal entity. This allows you to avoid fines and other negative consequences from the non-compliance of financial reporting with the requirements. The accounting system is the foundation of information support for effective enterprise management, because it ensures the accuracy, reliability and timeliness of financial information necessary for making strategic and operational decisions.

An effective way to form such a system is to divide information sources into appropriate levels:

Level 1. Operational (primary) information - Operational information - current (detailed) accounting information about operations, its collection and registration. The main purpose of forming operational information is to ensure current control and

management, confirm the fact of operations, and also form the basis for analysis and generalization of information at the following levels. An effective accounting system includes the use of modern information technologies to automate accounting processes and data analysis. It allows not only to monitor financial indicators, but also to analyze them dynamically, compare them with previous periods and establish trends, which helps to make informed management decisions. Additionally, it is important to note that the accounting system also plays a significant role in ensuring internal control and compliance with legislation. It helps identify possible financial risks and ways to manage them, reducing the likelihood of financial violations. Effective provision of information, in particular through the accounting system, is a key element for ensuring the security and stability of the enterprise, as it allows timely detection and response to possible threats and risks.

Level 2. Generalized information of financial and management accounting.

Financial information - generalized information about the state of the enterprise, namely, financial statements, balance sheet, cash flow statement, financial results report;

Management information - information aimed at decision-making, namely, strategic development plans, main indicators of efficiency and productivity, enterprise costs. The main goal is to provide generalization of accounting information for planning and timely management decisions, providing information for strategic planning and effective management of enterprise resources, as well as preparation of reports for users.

Level 3. Generalized analytical information - Detailed analysis of accumulated information, assessment of current and strategic tasks of the enterprise. Assessment of possible threats and dangers. The main goal is to ensure management decision-making. Helps in forecasting and prevention of unconditioned risks

Each level of information defines a personal goal in ensuring information security: starting with the preparation of the primary document, which records the fact of the transaction, ending with the formation of financial statements and a general assessment of the financial and economic state of the enterprise.

At the first level, operational information is displayed, which provides detailed information about current operations, allowing accounting and control over them. Such information is usually used by internal users for analysis and further generalization. The second level includes generalized financial and management

information, on the basis of which financial statements are formed, economic indicators of activity are analyzed and important decisions are made for the effective development of the enterprise. The third level contains generalized analytical (detailed) information for evaluating current activities and solving important issues of optimizing the management process and minimizing enterprise risks.

In the conditions of a constantly growing amount of information, it is important to examine all levels of information sources when forming the economic security of an enterprise and ensuring its information security. This will allow the management of the enterprise to make balanced and justified decisions regarding the effective development and minimization of possible threats and dangers in the process of managing the economic security system.

Effective enterprise management is an important element at all stages of business and depends on various factors. Without the formation of a proper state of information support, the enterprise management process becomes extremely vulnerable and ineffective. Therefore, information provision plays a significant role in ensuring the economic security of the enterprise and acts as a special object in the activities of management personnel. The availability of appropriate information support helps to optimize management processes, increases the speed of reaction to changes in the environment and allows effective use of market opportunities. Information support also helps to avoid risks and minimize possible negative consequences in enterprise management. For example, receiving timely information about changes in legislation or the competitive environment allows the enterprise to adapt to new conditions and maintain a competitive advantage. However, ineffective information provision can lead to incorrect strategic decisions and loss of competitiveness. This emphasizes the importance of proper organization and management of information flows in the enterprise. To ensure effective information support, it is necessary to use modern information technologies and develop data processing and analysis systems. Summing up, information provision is an important element of enterprise management, which affects its efficiency, competitiveness and stability in a dynamic business environment. In the business process, various sources of information are used, but accounting data, which reflect the facts of the operations, as well as normative and planning documentation of the process of activity and management of the enterprise, are of great importance. That is, accounting information is a key element in the process of enterprise management before making strategic decisions at various stages of the

production process. The following factors can affect the formation of information support: the quality, completeness and reliability of information sources, the order and form of transmission-received information, an improperly prepared document flow schedule, incompetence of management personnel, etc. All these factors can have both positive and negative consequences on the quality of information on the basis of which, as a rule, important management decisions are made.

Scientists in their research put forward different visions regarding the concept of "information provision". In a general sense, information provision is one of the directions of the management process, the basis of which is the development of various methods of working with information, as well as the organization of an effective system of use, control, storage of information and its exchange between users.

Some scientists interpret the issues of information provision of the enterprise's activity process as: "forms, methods and tools of information resource management, which are necessary for stable functioning", as well as "for the effective implementation of the directions of the enterprise's development." Also, the author expresses his vision for the definition of the concept of information provision from the point of view of management: "it is a combination of all the information used in it, specific methods and means of its processing, as well as the activities of specialists for its effective improvement and use."

That is, the content of information provision consists in an organic combination of scientific knowledge with modern technologies.

The use of modern technologies and the automation of accounting processes allows you to quickly compile documents, ensures the accuracy of processing, the possibility of their use in real time and integration with other software. At the same time, there is an increase in the volume of compilation and use of electronic documents, which leads to the accumulation of large volumes of information and creates an additional danger of data loss. This prompts the creation of new conditions for providing enterprise IS. Therefore, the development of an effective plan to ensure the IS of the enterprise is the best protection against possible threats and the preservation of the business reputation of the enterprise.

The following practices will help to increase the effectiveness of the information security plan:

- 1) Creating a backup copy of sensitive (confidential) information and a copy of the accounting database in the cloud environment;

- 2) Encryption of information sources stored in the cloud;
- 3) Identify persons who may have access to confidential and accounting information;
- 4) Application of corporate mail for exchanging information and working with documents in shared access;
- 5) Use of double authentication of identity verification;
- 6) Use of Skype, Zoom, Google meet platforms for communication during management.

We consider it necessary, as a separate item, to highlight the importance of changing the requirements for company employees, especially accounting employees, when working with information and using modern technical means of its processing. The creation of programs for raising awareness and training employees, aimed at improving the skills of using modern technical support and careful work with information, would give an opportunity for employees to adapt to new technologies and maintain a high level of their competence.

Enterprise management includes a comprehensive approach to ensuring the information needs of the organization, which is based on the interaction of various objects of information provision, namely:

- the legal basis of accounting - defines the norms and principles that should be followed when keeping records and preparing financial statements;
- provisions of the accounting policy - defines specific accounting methods and principles used at the enterprise;
- primary documents - are the basis for recording the facts of business operations and events that are reflected in financial statements. They are a source of primary information for accounting and analysis of financial transactions;
- synthetic and analytical accounting data - used for the formation of financial and management reporting. Synthetic data represent a set of information for a certain period, while analytical data allow a more detailed review of financial indicators and a deeper analysis of the company's financial activities;
- indicators of financial and management reporting - are the basis for making management decisions. improvement and use".

These objects can be used in the formation of an effective system of information support for enterprise management.

Management decisions are made on the basis of a large number of



information sources. In connection with the growing number of information sources and the rapid pace of changes in the modern business environment, effective management of accounting information requires a comprehensive approach. One way to improve the quality of accounting information is to implement an internal control system that includes procedures, policies, and practices aimed at ensuring the accuracy, integrity, and confidentiality of information. These procedures include:

- the introduction of modern software tools for accounting and financial management allows automating many routine processes, reducing the likelihood of errors and increasing the accuracy of accounting information;

- ensuring the availability of accounting information for all interested parties, including management, investors, banks and regulatory bodies, contributes to increasing trust in the company and its financial stability;

- creation of effective internal control systems allows to warn and detect financial risks and errors in accounting, ensuring high accuracy and reliability of accounting information.;

- conducting trainings for accounting and finance personnel contributes to improving their qualifications and awareness of the importance of accuracy and reliability of accounting information;

- the use of recognized international accounting standards (for example, IFRS) contributes to the standardization and comparison of financial reporting, ensuring its quality and objectivity;

- constant analysis of the efficiency and effectiveness of accounting processes allows identifying and correcting possible shortcomings, which increases the quality of accounting information and its trust;

- the involvement of independent auditing firms to check and confirm the company's financial statements is an important stage in improving the quality of accounting information and ensuring its compliance with standards.

This approach allows you to avoid errors and abuses in accounting reporting, which can affect the validity of management decisions. In addition, to ensure the security of accounting information, it is important to implement strategies to ensure the confidentiality, integrity and availability of data. This may include using encryption, installing access control systems, backing up data, and other measures to protect information from unauthorized access and accidental loss. Accounting information security management is an important component of enterprise

management, as it ensures the reliability and validity of data used to make management decisions and helps prevent potential risks and threats to the enterprise. Considering the importance of accounting information, to improve its quality, there is a need to systematize and step-by-step formation of accounting information security management actions: We offer a step-by-step approach to the systematization of accounting information security management actions:

Stage 1. Emergence of an idea - analysis of the previous activity of the enterprise, calculation of existing risks and dangers, identification of needs for increasing the security of accounting information;

Stage 2. Development of the concept - development of a program to improve information security, determination of the main goals of the program, creation of a division of persons responsible for the development and implementation of the program;

Stage 3. Program development - development of targeted measures to increase information security, development of internal information security policy, creation of employee training programs.

Stage 4. Implementation and evaluation of the program - regular evaluation of the effectiveness of programs, support of employees during training.

The formation of successive stages of management of information sources, namely accounting information, contributes to the improvement of its quality at all levels of decision-making. This approach to the organization of enterprise security management will provide a more sensitive response system to the occurrence of potential dangers of various origins, and will also allow timely prevention of threats from both the internal and external environment.

A systematized approach to security management includes the creation of a unified regulatory and management information base, the creation of an enterprise document circulation route taking into account the influence of various factors of information security improvement, the development of an effective program for the protection and preservation of operational and accounting information at various stages of management, which in turn will have a positive effect on the general system of economic security management.

During the conduct of business activities, enterprises use various methods of collecting, processing, summarizing and storing information. At the same time, at each stage of working with information, threats arise that can significantly affect the

integrity, confidentiality and availability of information. Loss of control over the preservation of information can definitely lead to losses and inefficient operation of the enterprise.

Creating a reliable information security system requires solving problems aimed at protecting and preserving formalized and informal information. Formalized information means the process of presenting information in the form of documents or in the form of exchange processes through technical means. The protection of formalized information can be ensured using various methods of information theory by calculating the appropriate indicators of the degree of protection of such an object. If it is impossible to apply calculations using a theoretical approach, expert methods of evaluating indicators are used.

Information security is a critical aspect for today's businesses as they increasingly face threats from the digital world. The combination of different methods based on informal system theory turns out to be an effective approach for modeling effective information protection systems. The use of the theory of random processes, evolutionary modeling, graph theory and other mathematical approaches allows analyzing and forecasting risks related to information security

It is advisable to define the risk of information security as the product of the result of financial losses related to security and the probability of their occurrence. Information can have different forms of existence, but regardless of the way it is displayed, it must be securely protected. For this purpose, it is advisable to systematically assess possible dangers. Information can take many forms, from electronic documents to physical records, so it is important to have a comprehensive protection system that covers all aspects of the existence of information. This includes protection against cyber attacks, physical protection of data and ensuring the confidentiality of information during transport and storage. A systematic assessment of possible dangers allows to identify weak points in the information protection system and to take appropriate measures to eliminate them. It is also important to constantly improve the protection system, taking into account new threats and technological solutions. Awareness and understanding of information security risks allows enterprises to effectively manage these risks and prevent possible threats to the security of their information.

Information security risk assessment is a systematic analysis of information sources that are constantly exposed to threats. Based on the assessment of possible

threats, it is possible to develop measures to reduce the impact and prevent a negative impact on the company's activities in a timely manner.

Sequence of information security risk assessment:

- Determination of information sources, establishing their value;
- Determination of the probability of the occurrence of threats;
- Determination of the vulnerable sector of information sources;
- Calculation of the probability of the occurrence of a threat;
- Calculation of information security risk value.

The assessment of possible threats is determined by an expert method, taking into account the set of threats, their connections and parameters. At the same time, we offer a separate means of protection for each threat. We use the following indicators:

$t_i$  – a set of threats;

$\omega_{t_i}$  – the frequency of occurrence of possible threats;

$p_{t_i}$  - the probability of a threat.

The calculation is carried out in several stages:

Let's calculate possible losses from the occurrence of individual threats:

$$R_{t_i} = \sum_{k=1}^{kl} \omega_{t_i} p_{t_i} d_{t_i} c(a_k) \quad (1);$$

де,  $Kl$  – the number of information sources aimed at threat

$t_i, \quad i = 1, 2, 3, \dots, n;$

$A_{t_i}$  – sources of information or assets targeted by the threat  $t_i$ ;

$c(a_k)$  – cost of information sources,  $a_k \in A_{t_i}$ .

The coefficient of information  $d_{t_i} \in [0; 1]$ , damage can act as a criterion for selecting those sources of information or assets that are subject to the destructive effect of the threat. It characterizes the general level of the destructive effect of a threat on an information source or asset.

Let's calculate the probable losses from the occurrence of threats that occur one after the other at a certain interval:  $M(t_\alpha, t_\beta)$ :

$$R_{M(t_\alpha, t_\beta)} = R_{t_\alpha} + \sum_{i=1}^m \sum_{j=1}^r p(t_i, t_j) R_{t_j}, \quad (2);$$

де  $m, r$  – the number of "mother" threats occurring at a specified interval

$M(t_a, t_\beta)$ ;

Let's  $t_i \in (t_a, t_\beta)$  calculate the possible costs of providing protection against the onset of threats in the interval  $M(t_a, t_\beta)$ :

$$F_{M(t_a, t_\beta)} = \sum_{i=1}^n Ft_i \quad (3);$$

где  $Ft_i$  – costs incurred to ensure protection against the threat  $t_i$ .

At the next stage, the values of the risk value indicators are compared with the costs incurred to ensure information security, and a decision is made regarding the occurrence of this risk. Если  $R_{t_i} = Ft_i$  - the magnitude of this risk is not significant and the risk can be ignored. In the case when  $R_{t_i} \leq Ft_i$ , there is an opportunity to optimize costs for ensuring the protection of information sources and company assets. A significant negative impact from risk can be prevented by applying diversification (distribution) of risk or its insurance. If during the calculation we got coefficients in which  $R_{t_i} \geq Ft_i$ , this indicates the need to apply measures to reduce or minimize the impact of risks on information security objects and to introduce new approaches to ensuring the information security of the enterprise.

The use of this method of expert assessment of the occurrence of possible risks to information security is appropriate for enterprises. Despite the fact that the system of protection of information sources of enterprises is normal, it is advisable to constantly improve and create the most reliable and effective protection system. The use of various methods of risk assessment allows you to find and make optimal decisions when carrying out economic activities, as well as to identify weak points of the enterprise for effective development and minimization of possible losses in the system of information support of economic security management.

The primary condition for the effective management of the enterprise is the improvement of its information support. Information is the basis for effective management. The main part of all enterprise information is accounting data.

- We propose to improve the process of information collection by dividing this procedure into three stages:

- The first stage of management takes place at the initial stage (the collection and formation of information takes place in the production units, warehouses, cash register of the enterprise). Information at this stage is collected on the basis of

primary documents for accounting of receipts and withdrawals of cash, funds in bank accounts, materials, production products, production of employees, etc.

- The second stage of management takes place at the general economic stage (collection and formation of information in auxiliary divisions of the enterprise). Information at this stage is collected on the basis of analytical data of accounting of settlement transactions, receivables and payables, information on the receipt and disposal of fixed assets, materials, etc.).

- The third stage of management is the stage of information processing and generalization (accounting department). At this stage, the accumulated information of the previous stages is grouped and summarized.

- We consider it expedient to use the above-mentioned stages for the formation of a mechanism for collecting accounting sources of information at all structural subdivisions for conducting an analysis of the enterprise's activities, assessing possible risks and making balanced decisions by the management.

- The organization of information support for accounting in the management of the economic security system requires a comprehensive approach and consideration of the features of the structural components of the information system. A close connection with information sources of various accounting and information processing objects is ensured by:

- use of common sources of information for various accounting objects;
- using the formed source information of one accounting object and transferring it as input for another accounting object;
- application of unified forms of information sources in accounting;
- the use of joint economic indicators for information support of various accounting objects.

Therefore, it would be expedient to create a single system of information support at the enterprise, with the help of which it is planned to achieve the following results:

- ensuring completeness, integrity and reliability of sources of accounting information;
- ensuring uninterrupted access to sources of information of management personnel for operational processing of data, analysis and decision-making;
- full and objective reflection of business processes in accounting sources (in accounting accounts, registers of analytical and synthetic accounting);

- ensuring the use of quality sources of information at all stages of enterprise management.

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### **3.4. METHODS AND MODELS OF OPTIMIZATION OF PROFITABILITY INDICATORS IN THE SYSTEM OF ENSURING FINANCIAL AND ECONOMIC SECURITY OF THE ENTERPRISE**

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**Summary.** The economic content, types of profit calculation methods and its role in the system of financial and economic security of the enterprise are studied. The factors influencing the profit, which ensure the financial and economic security of the enterprise, have been studied. A comprehensive assessment of the financial and

economic security of the enterprise was carried out. A marginal analysis of factors affecting the formation of profit in the system of ensuring financial and economic security of the enterprise was carried out. Recommendations on improving the profit management mechanism in the system of ensuring financial and economic security of the enterprise are given. The rational use of the production potential of the enterprise as a factor of profit growth is studied. Performance indicators in the system of ensuring the financial and economic security of the enterprise were optimized.

**Keywords:** analysis, costs, income, enterprise, profit, system, improvement, management, model, financial and economic security

In modern economic conditions, profit plays the most important and main role in the mechanism of managing the socio-economic development of the enterprise. Profit reflects a positive financial result of activity. Receipt of revenue for manufactured and sold products, as well as for performed works and provided services, does not mean that the company will make a profit. This is due to their special importance for ensuring the financial and economic security of the enterprise. The end result of an entrepreneur's economic activity is the financial result he receives - profit.

In order to explain the economic essence of profit and its role in the system of financial and economic security of the enterprise, it is necessary to consider the interpretation of this concept by several scientists.

In the textbook by L.I. Shvab: "profit is a generalizing financial indicator of activity, which is defined as a part of the revenue that remains after reimbursement of all expenses for its economic activity" [6].

Such scientists as Tulai Oksana Tripak Maryan note that: "profit is the final result of the business entity's activity, which characterizes the absolute efficiency of its work" [7].

Lviv scientists Onysko S.M., Marych P.M. in their textbook for students of higher educational institutions indicate that "the profit of an enterprise is the receipt of a certain financial result of an entity of entrepreneurial activity that carries out production, commercial, research and other activities" [4].

The team of authors headed by A.M. Podderyogin. believe that: "profit is a system of economic relations between entrepreneurs and employees regarding the distribution, production and appropriation of the created surplus value, which is



separated in the form of a surplus over the costs of invested capital" [5].

In the textbook "Enterprise Economics" for students of higher educational institutions O. O. Hetman, V. M. Shapoval. emphasize the fact that: "the enterprise receives a profit after the value embodied in the created product is realized and acquires a monetary form" [2].

Maiboroda O.E., Sukrusheva G.O., Kulish E.V. in the scientific article, the following definition of the company's profit is given: "this is the financial result of the company, an absolute indicator that carries out production, commercial, research and other activities and characterizes the degree of success of this activity" [3].

Babich V.V. believes that: "profit is the most important overall indicator in the system of evaluating the performance indicators of the enterprise's production, commercial and financial activity" [1].

Profit is the main internal source of equity capital formation. Profit is expressed as the difference between income and expenses (formula 1):

$$\text{Pr} = \text{D} - \text{B}, \quad (1)$$

where Pr is the profit of the enterprise;

D - income of the enterprise;

B – Expenses of the enterprise.

The company's income is an increase in economic benefits during the reporting period and (or) a decrease in liabilities, which leads to an increase in capital other than the participants' contribution. Economic benefits increase due to the inflow of assets, i.e. cash and other property.

Thus, income includes proceeds from the sale of products (without VAT), interest and dividends, rent and other income. Revenue from products is formed from all receipts related to payments for sold products (works, services) and are expressed in monetary and (or) in-kind forms. The costs of the enterprise are the reduction of economic benefits during the reporting period and (or) the occurrence of obligations that lead to a decrease in capital, in addition to a decrease in deposits due to the decision of the owners.

Economic benefits are reduced by disposal of assets. Thus, the expenses of the enterprise are expenses for the production of sold products (goods, services), wages of employees, depreciation, losses from natural disasters, sale of fixed assets, exchange rate changes, etc. Obtaining profit is an important condition and purpose of entrepreneurship of any economic structure. In this regard, there is a concept of

entrepreneurial income, where the entrepreneur receives part of the profit from entrepreneurial activity, after deducting the interest and rent paid by him.

Since the company receives the main part of its profit from the sale of products, the amount of profit is (as well as business income) under the influence of factors that can be divided into three groups:

1. Production factors. They are related to the volume of production, its rhythm, material and organizational and technical equipment. For example, the quality of products, its diverse assortment.

2. Commercial factors. They include the concept of "marketing": conclusion of contracts based on the study of the current market and forecasting, advertising, price regulation of sales channels, etc. The reliability of the forecast of these factors is based on risk insurance and the attraction of new paying customers - this requires commercial costs.

3. Financial factors These factors include: settlement forms, price regulation, attracting company loans or funds from centralized reserves, application of sanctions, collection and examination of receivables, as well as ensuring the liquidity of assets.

There are factors affecting the amount of profit and its dynamics, both dependent and independent of the company's efforts. Dependent factors include the volume of products sold (goods, services), their quality, the level of cost and other expenses, the pricing policy of the enterprise, the level of qualification of personnel and the quality of management. Independent factors include market conditions and tariffs (prices) for energy, fuel, state-regulated commodity prices, depreciation, taxation.

Speaking about profit as a category of ensuring financial and economic security of the enterprise, its functions should be highlighted.

The first function: profit reflects the economic effect acquired as a result of the enterprise's activities. The presence of profit in the organization indicates that the costs are lower than the income associated with its activities. But to evaluate all aspects of the organization, analyzing production, economic and financial activities, is possible only using a system of indicators.

The second function: profit has a stimulating function. Due to the fact that income is considered both an economic result and the main component of economic resources, the enterprise is interested in maximizing profit. After paying taxes and other mandatory payments, the share of net profit should be sufficient to finance

production activities, scientific, technical and social development of the enterprise, material incentives for employees.

The third function: profit is considered one of the main keys to the development of budgets of various degrees. Someone acts as financial expenses in the form of taxes and, along with other revenues, is used for the purpose of financing the satisfaction of common social needs, providing the country with its own functions, municipal investment, production, scientific and technical and social programs.

Thus, profit plays the main role of a modern enterprise, is the main source of the formation of own capital and budgets, which reflects the economic effect due to its activity of the enterprise, stimulates it to maximize profit in the system of ensuring financial and economic security.

The company's profit is calculated according to a certain scheme:

1 step. We determine the amount of gross income;

2 step. We calculate the total costs for the production of goods and services;

3 step. We calculate the gross profit indicator of the enterprise, which is the difference between the net income from sales and the cost price of sold goods (services);

4 step. We determine the net profit indicator.

Profit is the main indicator of the main economic activity of the enterprise, which reflects the effect of the organization of the production and sales process, whether the costs are overstated and whether the existence of this production unit is profitable in general. Profit is the main factor of economic and social development, both for the enterprise and for the economy of the region and the country in general. Therefore, economically justified profit planning at the enterprise is of great importance.

The main methods of profit planning are:

- direct account method;
- normative method;
- method of extrapolation;
- analytical method;
- the combined calculation method.

The application of the direct account method assumes that the profit is the difference between the planned revenue and the full cost of production of works (services) in actual prices with basic deductions. This method is most often used in

practice, and it is widely used when justifying the creation of a new or expanding existing production. In the direct account method, the most important indicator is the profit from the sale of products (works, services), which is calculated according to the main types of enterprise activity. The calculation is carried out according to the main formula for finding profit and is determined according to formula 2.

$$\text{Profit} = \text{Revenue} - \text{Cost} - \text{Taxes} \quad (2)$$

The use of this method is due to the fact that certain types of activities are not subject to income tax and value added tax or have their own percentage of calculation. Therefore, this method allows you to accurately and objectively calculate the profit of the enterprise. The advantages of this method are accuracy and objectivity. The disadvantages of this method are time-consuming, because in the presence of a large nomenclature, this method becomes impossible to use.

The normative method provides for the development of income on the basis of the concept of various standards, such as: the measure of income in individual fixed capital, the measure of income in an asset of an enterprise, the measure of income in a unit of sold goods. The advantages of this method are: the accuracy of calculations, the ability to plan and forecast. The disadvantages are: time-consuming, impossibility to estimate the price level (possible only for stable production).

The method of extrapolation is the analysis of its dynamics over several years, as well as the identification of general trends in the formation of profit and its forecast for the new planning period. This method is the most effective when justifying a technical and economic plan or project.

The analytical method involves the use of multifactorial economic models in the formation and planning of the profit of a manufacturing enterprise. The method boils down to establishing the profit of the previous period. Next, the share in the total gross income of the enterprise and per unit of sold products is determined. And as a result of the adjustment, the planned profit of the enterprise is established, taking into account the change in production volumes. This method allows you to graphically interpret the profit as profitability graphs, which allow you to determine the break-even point of the enterprise. The algorithm for determining profit in this method involves 4 stages:

- 1 stage. The company's profit for the reporting period is analyzed;
- 2 stage. The planned change in production volumes is determined;
- 3 stage. The share of profit on the total amount of received income is

established;

4th stage. The planned profit is defined as the product of the planned revenues of the profit share, taking into account the change in the volume of production.

Method of combined calculation. In this case, elements of the direct account method and the analytical method are applied. Obtaining a certain amount of profit determines the efficiency of production, but the profit itself does not characterize how efficiently the enterprise works. For this, it is necessary to compare the profit with the costs of the enterprise. The profitability indicator corresponds to these goals - it is a relative efficiency indicator that characterizes the level of return on costs and the degree of use of resources, expressed as a percentage. Profitability ratios show the level of efficiency of the enterprise.

In order to make organizational, technical, economic and management decisions, it is necessary to create favorable conditions for the implementation of plans and programs to increase profit, it is necessary to know the main reserves and ways of influencing its value, which ensure the financial and economic security of the enterprise. The following groups of factors influence the change in profit: external and internal (Fig. 1).

Internal factors include resource factors: amount and composition of resources, condition of resources, circumstances of exploitation. The following groups of factors can be distinguished among the internal ones:

1) Material and technical factors:

- the state of the material and technical base of the enterprise. The enterprise, which has a modern and well-developed material and technical base, has prerequisites for a sustainable increase in production volumes, which will lead to an increase in economic income and an increase in the profitability of the enterprise;

- basic equipment and technical armament of workers. The higher the equipment of workers' workplaces with modern equipment and tools, the higher the labor productivity of these workers;

- moral and physical wear and tear of the main production assets at the enterprise. This factor is very significant for increasing the profitability of the main activity. The use of worn-out fixed assets, as well as morally obsolete equipment do not allow to increase profits in the strategic perspective;

- fund return. With an increase in the level of fund return, the efficiency of the use of funds invested in fixed funds increases;

- turnover rate of working capital;
- level of production mechanization and others.

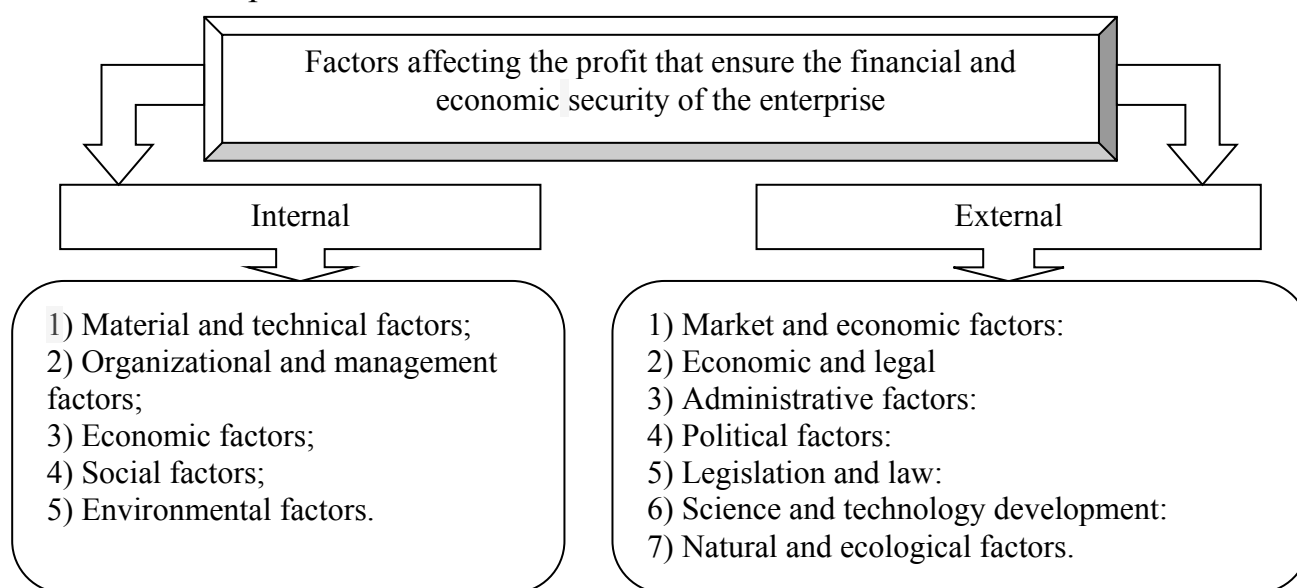


Fig. 1. Factors affecting the profit that ensure the financial and economic security of the enterprise.

## 2) Organizational and management factors:

- degree of modernization and reconstruction of production at the enterprise.

The market of technologies and technological equipment is developing dynamically. Modern technologies and equipment in production allow reducing the cost of products due to the reduction of material and energy consumption, which makes it possible to increase part of the profit in the price of products;

- strategic factors and tactical methods of enterprise activity;
- product diversification. Expanding the range of products allows you to increase the volume of products sold, and as a result, the company's profit;
- information provision of management processes at the enterprise: accurate and timely information allows making correct management decisions regarding the strategic development of the enterprise;
- business image of the enterprise. It is important for consumers to think about the company's potential. A significant business reputation allows the enterprise to receive additional income and increase the profitability of the main activity;
- organization of goods movement. Accelerated promotion of goods to large retail chains and retail stores helps to increase turnover, and at the same time reduce current costs, as a result of which the mass and level of profit increase.

## 3) Economic factors:

- use of energy-saving equipment in the production of products;
- decrease in the level of receivables. The timely return of the amount of receivables contributes to the acceleration of turnover of working capital, and as a result will lead to an increase in profit;
- the pricing system used for the enterprise. The amount of profit depends on the amount of profit included in the price of the product. A constant increase in the share of profit in the price of goods can in some cases lead to the opposite result;
- production volumes. An increase in the volume of production allows the enterprise to reduce the cost of a unit of manufactured products due to a decrease in fixed costs;
- volumes of product sales. With a constant share of profit in the price of the product, the increase in the volume of product sales allows you to receive a large amount of profit;
- structure of sold products. The expansion of the range of products contributes to the growth of the volume of sales of products at the enterprise;
- reduction of production costs;
- implementation of the economy regime. This factor allows you to relatively reduce the current costs of the enterprise and increase the amount of profit received. At the same time, the economy mode is a relative reduction in current costs.

#### 4) Social factors:

- number and composition of employees. The staffing of employees at a certain level of technical equipment of labor allows to fully implement the company's program for obtaining a sufficient amount of profit;
- forms and systems of employee motivation. The role of moral and economic encouragement of employees is high and allows to increase the productivity of employees. The impact of this factor can be estimated through the indicator of wage costs, as well as through the indicator of the profitability of labor costs;
- productivity. The increase in the labor productivity of employees, other things being equal, entails an increase in the mass of profit and an increase in the profitability of the main activity of the enterprise;
- working conditions at the enterprise. The creation of favorable working conditions helps to increase the level of labor productivity;
- level of training and qualification of employees. A certain degree of qualification of an employee is required for the execution of a production assignment,

if the qualification level is lower than required, the efficiency of work decreases, the amount of time loss and defects increases.

5) Environmental factors: production of ecologically clean and safe products, application of waste-free production technologies, etc.

The influence of external factors is related to market conditions, legislative and power structures. Their value is very significant, as they are production regulators, the action of which can both stimulate and restrain it. Among the main external factors that generate profit to ensure the financial and economic security of the enterprise, the following can be included:

1) Market and economic factors:

- market capacity. The volume of the enterprise's sold products depends on the market capacity;

- the greater the market capacity, the more opportunities the enterprise has for making a profit;

- development of competition.

Competitive struggle requires established costs that reduce the amount of profit received. The presence of competition in the market forces the manufacturer to focus on the price level of competitors when setting prices for his products, which reduces the rate of profit;

- the amount of prices for raw materials and materials. In conditions of high competition, price increases by suppliers do not always lead to an adequate increase in sales prices, therefore the company strives to work less with intermediaries and at the same time choose among suppliers those who offer goods of the same level of quality at more affordable prices;

- prices for services of service companies: transport company, utility company, repair, service and other companies.

The increase in prices and tariffs for service services increases the current costs of enterprises, reduces profits and reduces the profitability of the main activity.

2) Economic and legal factors include state taxation, the organization of the trade union movement, and certification of the company's products.

3) Administrative factors: the formation of a state order for the production of products, the issuance of regulations and resolutions regulating the main activities of enterprises.

4) Political factors: political stability (instability); support of the enterprise by



the government.

5) Legislation and law: human rights; entrepreneur's rights; property rights.

6) Science and technology development: level of development of fundamental and applied scientific knowledge; the level of development of information technologies and computerization; the level of industrial and production technologies.

7) Natural and ecological factors: natural and climatic conditions: temperature, precipitation, humidity; natural resources; legislation on ecological and environmental protection.

With the development of entrepreneurship and increased competition in modern conditions, the responsibility of enterprises to fulfill their obligations is increasing. The indicator of income from the sale of products meets the requirements of commercial calculation and, in turn, contributes to the development of the production and economic activity of any enterprise and affects financial and economic security. The interest of enterprises in the production and sale of high-quality products that are in demand on the market is reflected in the amount of profit, which under other conditions is directly dependent on the volume of sales of these products.

The costs of production and sale of the product, which determine the initial cost, consist of the price of natural resources used in the manufacture of the product, material, basic and additional materials used, fuel, energy, fixed assets, labor resources and other production costs, and even non-production costs.

It follows from all this that profit as the main form of monetary accumulation depends, first of all, on the reduction of costs for production and circulation of products, as well as an increase in the volume of sales. Improving the investment and financial activities of the enterprise will contribute to the increase of profit and will have a positive effect on the indicators of the financial stability of the enterprise.

To the extent of economic expediency, the enterprise distributes its profit independently between accumulation and consumption. For further growth of profit, it is important to optimize the process of its distribution and establish optimal proportions between the accumulation fund and the consumption fund. In turn, increasing the level of profitability of production is also the most important task of every enterprise. The main directions of increasing the profitability of production are:

- an increase in the volume of sales of goods and an increase in the profit received on this basis;

- reduction of production costs;
- the most complete use of production assets;
- rational use of processed raw materials;
- the most complete use of working capital;
- timely shipment of finished products.

The profitability indicator is important for making current and strategic decisions, as it shows not only the profitability or unprofitability of manufactured products, but also their degree. After determining the level of profitability for various types of production for the enterprise, a decision is made to withdraw unprofitable and unprofitable types of products from production and increase highly profitable ones.

In the basis of the methodology of the study of the financial and economic security of the enterprise, several approaches should be identified that determine the essence and parameters of the financial and economic security of LLC "GETMAN", it is necessary to rely on a comprehensive approach, which assumes that:

- economic security is determined by a set of quantitative and qualitative indicators;

- the level of financial and economic security as an integral value of quantitative and qualitative indicators reflecting certain aspects of economic security is an indicator of the state of security of the enterprise;

- the level of financial and economic security is categorized using criteria or states, the value of which is determined by the sum of metrics of quantitative and qualitative indicators;

- quantitative and qualitative indicators are used to measure the level of threat, on the one hand, and the state of operation of the enterprise, on the other hand, that is, to assess both the internal and external environment of the enterprise.

The features of this approach, which fundamentally distinguish it from established practices of assessing financial and economic security only through the prism of financial and economic analysis and risk assessment, are that the financial and economic security of an enterprise should be considered not as a separate state of economic security, but as an element of the general development strategies of the enterprise, interconnected with the priorities of sustainable development in the context of the interests of the subjects of economic decisions, which reflects the efficiency of the enterprise's functioning.

As part of the economic security strategy of LLC "GETMAN", risks, threats and indicators of financial and economic security are determined directly, as well as measures, terms and performers from the functional blocks of economic security of the enterprise are formulated. Let's consider the functional blocks of the strategy of financial and economic security of LLC "GETMAN":

- 1) security of non-current assets;
- 2) ensuring the security of the enterprise's investment activity;
- 3) control of material and production stocks;
- 4) ensuring safety when working with counterparties;
- 5) ensuring the safety of funds;
- 6) identification and elimination of prerequisites for financial instability and possible bankruptcy of the enterprise;
- 7) anti-corruption security.

Interrelationships in the financial and economic security strategy of LLC "GETMAN" are presented in Figure 2.

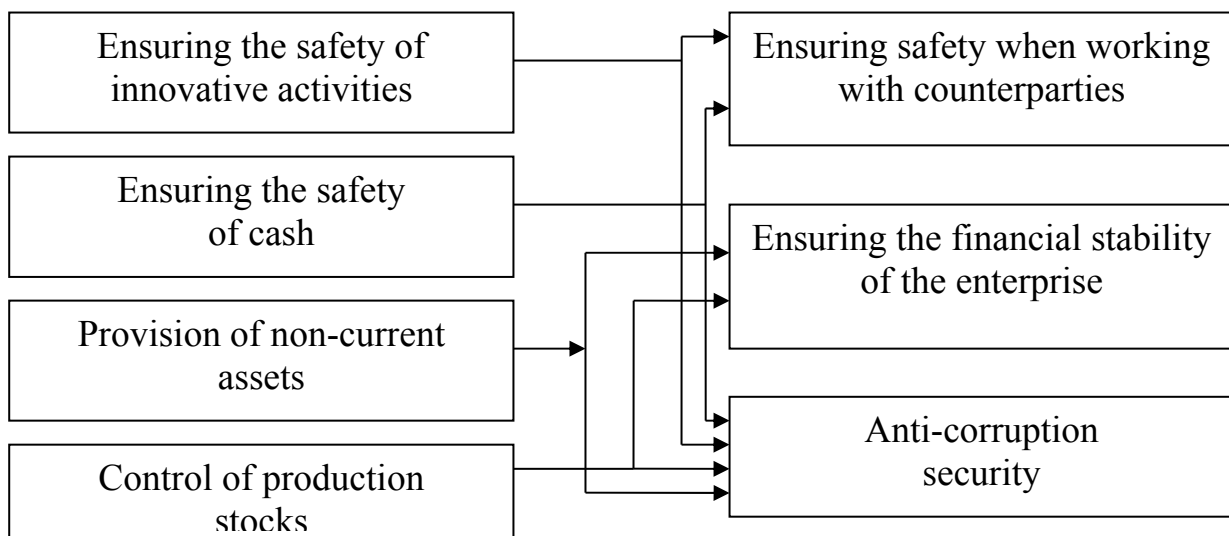


Fig. 2 Interrelationship of the functional blocks of the financial and economic security strategy of LLC "GETMAN"

The relationship between the blocks of the financial and economic security strategy can be defined as follows: - ensuring the preservation of non-current assets and control of material and production stocks are determined by the behavior of personnel, on the one hand, and counterparties, on the other; - ensuring the safety of funds and the safety of investment activities is related to the quality of the decisions made and affects the financial stability of the enterprise, on the one hand, and is determined by the behavior of the enterprise's personnel, on the other hand; -

ensuring security when working with counterparties should be evaluated from the standpoint of the stability of internal business processes, on the one hand, and the market position, on the other.

Marginal analysis plays an important role in the application of management decisions in business. His method is based on the study of the relationship between three groups of the most important economic indicators: costs, volume of production (sales) and profit and forecasting the value of each of these indicators at a given value of the others. We will conduct a marginal analysis of the results of the activity of LLC «GETMAN» for 2022. The main part of the profit of LLC «GETMAN» comes from the production and sale of agricultural products. In the process of analysis, the dynamics, implementation of the profit plan from the sale of products are studied and the factors of change in its value are determined. For marginal analysis, it is necessary to distinguish variable and fixed costs. Variable costs include materials, wages of key production workers (CEOs), deductions for social events. Fixed costs include depreciation and services of third-party organizations. Let's summarize the indicators of variable and fixed costs in table 1 for clarity.

Table 1

Indicators of variable and fixed costs

Name of article	Sum, UAH
Variable costs, in particular	8175600,0
Materials	6900500,0
Salary of OVP	1548200,0
Deductions for social events	340604,0
Fixed costs, in particular	5121200,0
amortization	35040,0
Services of third-party organizations	5086160,0

According to table 1, we will calculate the following indicators: Marginal profit according to formula 3:

$$M_p = 19810000 - 8175600 = 11634400 \text{ UAH} \quad (3)$$

The rate of marginal profit according to formula 4:

$$C_{mp} = \frac{11634400}{19810000} = 0.59 \quad (4)$$

The break-even point according to formula 5:

$$Q_{\min} = \frac{5121200}{11634400} = 0.44 \quad (5)$$

Profitability threshold by formula 6:

$$B_{\min} = \frac{5121200}{0.59} = 8680000 \text{ грн.} \quad (6)$$

Stock of financial strength according to formula 7:

$$S_{fs} = 19810000 - 8680000 = 11130000 \text{ грн.} \quad (7)$$

Let's summarize the obtained results in table 2.

Table 2

Summary table of calculated indicators of margin analysis of LLC  
«GETMAN»

Characteristic	Indicator value
Marginal profit, UAH.	11634400,0
The rate of marginal profit	0.59
The break-even point	0.44
Profitability threshold, UAH.	8680000,0
Stock of financial strength, UAH.	11130000,0

To determine the influence of operating leverage, it is necessary to prepare a report on the marginal profit, which is shown in table 3.

Table 3

Marginal profit report for 2022 LLC "GETMAN"

Characteristic	Indicator value
Net income from the sale of products (goods, works, services), UAH.	19810000
Variable costs, UAH.	8175600
Marginal profit, UAH	11634400
Fixed costs, UAH.	5121200
Operating profit, UAH.	6513200

Thus, it can be seen that the operating profit in the statement of marginal profit is not equal to the gross profit in the statement of financial results. This is due to the fact that operating profit is calculated as the difference between gross profit and the sum of commercial and administrative expenses, and these expenses in our case are not equal to zero. Therefore, the operating profit will be equal to the gross profit.

Let's calculate the force of the operating lever according to formula 8:

$$OLF = \frac{11634400}{6513200} = 1.79 \quad (8)$$

On the basis of table 3, we will calculate the indicators of the marginal analysis and compile the summary table 4.

Table 4

Indicators of margin analysis of LLC "GETMAN"

Characteristic	Indicator value
Marginal profit, UAH.	11634400
The rate of marginal profit	0.59
Profitability threshold, UAH.	8680000
Stock of financial strength, UAH.	11130000
Margin of financial strength, %	5.61
The power of the operating lever	1.79

Table 4 shows that low The reserve of financial strength is almost 6%, i.e. with a decrease in revenue from products by UAH 600000. will lead to losses of the enterprise. The influence of operating leverage is high. This means that LLC "GETMAN" can allow a very small amount of reduction in revenue from product sales.

Before calculating the planned indicators, it is worth talking about the cost of own sources of financing. Own sources of financing are divided into internal (net profit, depreciation, product sales) and external (loan funds). Often, internal sources are not enough to expand the scope of the company's activities or implement and implement new projects, so they attract their own funds from external sources. Internal sources of financing are formed during economic activity and characterize the enterprise's ability to self-finance. One of the indicators of internal sources of financing is the net profit, which the company itself distributes.

Rational use of profit is helped by such factors as the creation of a development plan for LLC "GETMAN", compliance with the interests of the founders and employees. To calculate the increase in profit in the future period and the Capital Asset Pricing.

Model (CAPM). The SARM model is a model for evaluating financial assets. With the help of this model, you can determine the required level of profitability of an asset that needs to be added to an already existing diversified portfolio.

Let's assume that the return on equity is normalized by the loan rate, which is

approximately 20%. Equity capital will be taken from the company's balance sheet. Thus, we express and find the planned net profit (formula 9).

$$NP = 0.2 * 872360,0 = 174472,0 \text{ UAH} \quad (9)$$

Let's determine the operating profit, based on the planned profit equal to UAH 2916284. Now we will find the planned net income from the sale of products (goods, works, services), which is necessary for the enterprise to achieve the set goal according to formula 10.

$$NP_{pl} = \frac{1744720 + 5121200}{0.59} = 40508930 \text{ UAH.} \quad (10)$$

Let's find the marginal profit for the planned period (formula 11)

$$m = 40508930 * 0.59 = 23900270 \text{ UAH.} \quad (11)$$

Knowing the marginal profit, we determine variable costs using formula 12:

$$FC = 40508930 - 23900270 = 16608660 \text{ UAH.} \quad (12)$$

Let's calculate the force of the operating lever according to formula 13:

$$OLF = \frac{40508930}{23900270} = 1.69 \quad (13)$$

Since the gross profit in our case is equal to the operating profit, and the planned revenue is known, we will find the cost price (formula 14):

$$CP = 36162840 - 16608660 = 19554180 \text{ UAH.} \quad (14)$$

We will compile a report on profits and losses for the planned period (Table 5).

In the planned period, the net income from the sale of products (goods, works, services) will increase by UAH 20698930. compared to 2022. Net profit increased in 2023 by UAH 1827186. compared to 2022.

Table 5

2023 profit and loss statement

Characteristic	2021 year	2022 year	2023 year
Net income from the sale of products (goods, works, services)	5366000	19810000	40508930
Cost of goods sold (goods, works, services)	2674000	16937000	19554180
Gross profit	2692000	2873000	20954750
Profit from sales	2692000	2873000	20954750
Other expenses	1301000	1363000	1171564
Net profit	1391000	1510000	19783186

Let's calculate the profitability indicators and summarize them in Table 6:

Table 6

Profitability indicators in marginal analysis for LLC "GETMAN"

Indicator	Designation	Reporting period	Previous period	Planned period
Gross return on sales	R	14.50	50.17	51.73
Operating profitability of sales	Rp	14.50	50.17	51.73
Net return on sales	Rnp	7.62	25.92	48.84

All indicators increased by almost 10%. This is due to an increase in revenue from the sale of products and operating leverage, which is equal to the planned period of 1.79. Let's sum up the results of the marginal analysis and the planned indicators for the future period.

In marginal analysis, variable and fixed costs are distinguished. When revenue increases, variable costs increase, while fixed costs remain unchanged. At the end of the reporting year, the marginal profit is UAH 1163440, the operating profit is UAH 6513200, and variable costs are UAH 8175600. If the production capacity in 2022 was not used at full capacity, then after the calculations of the planning period, the production capacity is used in full. At the same time, the net income from the sale of products in the planned period amounted to UAH 40508930, and the net profit equaled UAH 19783186, which is UAH 18273186. more. Also, the gross return on sales was 51.73%, which means an increase in the efficiency of the use of production funds, despite the increase in production costs. The operating profitability of sales was 51.73%. Its growth can be achieved by increasing the volume of sales, changing and supplementing the sales range, increasing prices. The net profit was 48.84%. The increase is related to the increase in revenue, ie. turnover increased, while fixed costs remained the same.

In the current period, profit is considered the main basis of financing the work of "Hetman" LLC, satisfying the economic interests of the owners of the enterprise and its employees to ensure financial and economic security. In our opinion, the process of profit management of LLC "GETMAN" to ensure financial and economic security should be carried out in accordance with a number of principles corresponding to the requirements of the market economy, presented in figure 3.



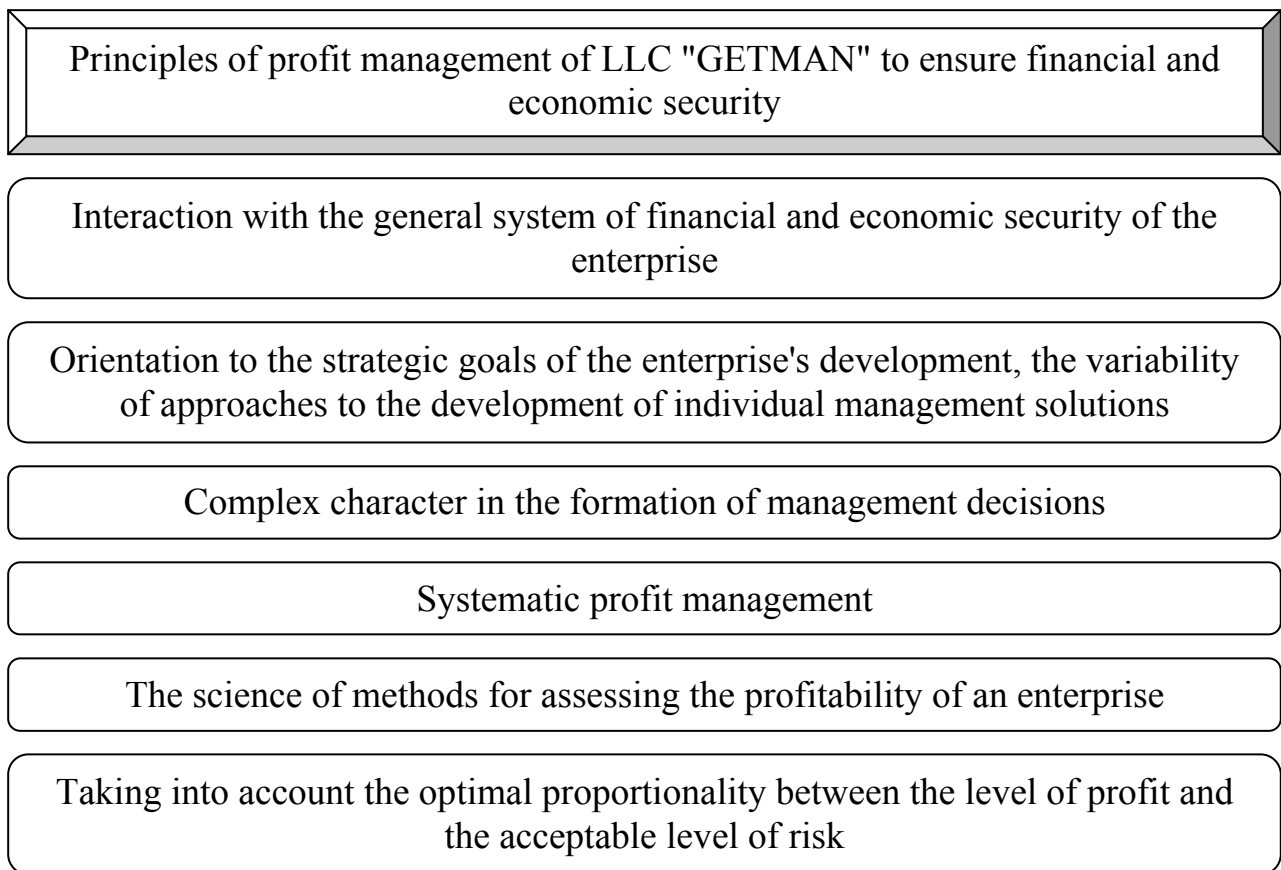


Fig. 3. Principles of profit management of LLC "GETMAN"

The first of the general principles is that benefit regulation, as well as an independent administrative process, is interconnected with the entire complex of financial and economic security in the company. This circumstance should be taken into account when distributing and applying income.

Focusing on the strategic missions of the enterprise formation involves the implementation of revenue generation management in such a way that in the event of a contradiction between the existing plan that allows for profit and even the strategic goals of the enterprise, the plan should be rejected regardless of the degree of projected profit for its implementation. This is due to the fact that the desire to get the maximum amount of profit, which is carried out in the cross-section. The existing long-term goal of forming an enterprise can cause destabilization of the entire company and loss of the ability to receive income in the next period.

The variability of schedules to the study of single administrative conclusions implies the development of administrative decisions in the field of profit management in a similar way so that they take into account other types of formation of financial events. Thus, when every condition affecting the level of profit is changed,

administrative regulations must be elastically adapted to the change and, as far as possible, reduce the negative impact of the change in the scope of the enterprise's operation on the level of profit received.

The next of the universally recognized foundations - a systematic view in the creation of administrative conclusions - involves the connection between generally accepted administrative decisions according to the management of profit, as well as the ultimate goal of management of profit. This fact is based on the fact that not all transactions without exception give income, moreover, many can be a source of shortage of economic resources and be a source of losses. However, in the complex, the results of all actions should be a source of profit.

Systematic profit management. This principle involves a comprehensive analysis of alternative financial solutions that affect the state of financial balance of LLC "GETMAN" in the short and long term. Highly scientific methods of assessing the company's profitability. Takes into account the preparation of a profit plan based on the review of reported information and the establishment of predictive meanings of economic characteristics.

Calculation of the appropriate proportionality between levels of profit and possible risk. This rule consists in the selection of possible risky actions that provide the maximum effectiveness of the result (profit) at a minimal or acceptable level of risk for the enterprise. The procedure of managing the benefit of the enterprise must be carried out in a specific sequence and guarantee the implementation of the main mission and the main problems of this management. The multifunctional targeting of profit management objects according to generally accepted standards is divided into two main types: management of profit formation and management of distribution and use of profit.

Profit formation in "GETMAN" LLC is the initial and main stage of the overall profit management process, which determines the further actions of the financial manager regarding its distribution and use. On the basis of the study of scientific sources that consider the issue of the formation of the company's profit, we have developed a mechanism for managing the formation of profit from operational, investment and financial activities:

I STAGE. Analysis of income and receipts of funds, as well as expenses incurred from:

- operational activities;

- financial activity;

- investment activities.

II STAGE. Forecasting and planning:

- production and sale of products, works and services for the planned period, taking into account modern trends in the market of goods, resources and capital;

- needs for funds, forecasting of operations on the financial market, assessment of the possibility of receiving dividends and interest on capital;

- needs for real investments and implementation of investments for the planned period, taking into account modern trends in the investment and financial markets.

III STAGE. Development of measures aimed at reducing enterprise costs:

- from increasing the volume of production, performance of work and provision of services, insurance and other stocks of finished products of capital;

- regarding the implementation of financial activities and the creation of conditions for the most effective financial operations;

- regarding the implementation of capital (real) investments and the most effective investment of funds in financial investments.

IV STAGE. Organization and regulation of enterprise activity:

- aimed at increasing operating income and maximally reducing operating costs;

- aimed at increasing incomes and maximally reducing financial costs;

- aimed at increasing income and maximally reducing investment costs when investing in real investments.

Control of the decisions made regarding the implementation of all types of activities that ensure the fulfillment of the established tasks of income and expenses.

At the first stage of the process of managing profit formation, the financial manager must analyze the dynamics and structure of received income and incurred expenses. The analysis of income is carried out on the basis of the financial report of form No. 2 "Report on financial results (Report on total income)" and is carried out for all three types of activities carried out by the enterprise: operational, investment and financial.

At the second stage, the manager must make a forecast and plan for three types of activities. Planning in operational activity refers to determining the volumes of production and sale of goods, works, and services for the next period (month, quarter, half-year or year). First of all, it should be carried out taking into account the modern

realities of the commodity market. In addition, important factors in the process of forecasting the volume of production are data on the state of the resource market, since the cost of resources (production, energy or labor) directly affects the ability of the enterprise to produce one or another volume of products. It is also necessary to take into account the current state of the capital market, since in the absence of equity capital, enterprises are forced to resort to borrowing. And the cost of loan resources aimed at production and sale also directly affects the production capabilities of the enterprise.

Measures in investment activities relate to the reduction of costs for making capital investments. They are aimed, first of all, at increasing the efficiency of capital investment in real and financial investments.

Measures in financial activities are related to the reduction of costs for carrying out financial activities. For example, minimization of costs associated with servicing the enterprise by commercial banks, reduction of costs associated with the payment of commissions, etc.

At the fourth stage, organization and regulation of the enterprise's activities take place. This stage involves an increase in income from all types of enterprise activities. In the operational activity, an increase in operating income and a maximum decrease in operating expenses are expected. In the investment area - increase of investment income and maximum reduction of investment costs when investing in real investments. In financial activity - increase of income and maximum reduction of financial costs.

After the completion of the fourth stage, the profit generation management mechanism starts from the beginning, i.e. from the analysis of income and receipts of funds, as well as incurred expenses. It should be especially emphasized that during the entire process of managing the company's profit formation, continuous control of the decisions made related to the implementation of all types of activities is carried out. In addition, monitoring of the degree of implementation of established plans, tasks and requirements regarding the level of income received and the amount of expenses incurred is ensured.

As noted in the economic literature, the main purpose of profit distribution to ensure the financial and economic security of the enterprise is to find the optimal ratio between the consumed and capitalized part of the profit. This ratio must first of all meet the requirements defined in the company's long-term development strategy.

Therefore, the achievement of this goal has a dominant character, so its implementation must be consistent and justified. Therefore, the implementation of the main goal of profit distribution to ensure the financial and economic security of LLC "GETMAN" must be achieved by implementing a number of tasks:

- ensuring that the owners receive the required rate of return on invested capital;
- ensuring the formation of reserve and other funds of the enterprise in the necessary sizes;
- ensuring the priority goals of the strategic development of the enterprise at the expense of the capitalized part of the profit;
- ensuring stimulation of labor activity and additional social protection of personnel.

Thanks to the implementation of the specified tasks, the process of profit distribution of LLC "GETMAN" is being carried out. At the same time, the distribution process should be based on a number of such principles as: connection of the distribution policy with the general policy of the company's profit management; the priority of accounting for the interests and mentality of the owners of the enterprise; stability of income distribution policy; predictability of income distribution politicians; analysis of the productivity of the researched income distribution policy. The effectiveness of the activity of LLC "GETMAN", and even the main points characterizing its functioning, are determined by the nature of the profit distribution. It plays a big role in the activity of the business entity. The relationship between the nature of profit distribution and its formation in the future is remarkable.

The main task of the management of LLC "GETMAN" is to increase production efficiency. This helps to maintain the necessary technical level of the enterprise, which allows to increase the volume of production without additional investment resources, to reduce the cost of goods due to the reduction of depreciation and costs of maintenance of production, its management, and to increase profitability. The problem of increasing profit is the main task for commercial enterprises. An important factor and reserve for profit growth is the rational use of the enterprise's production potential.

Production potential of the organization - which can be released at the maximum loading of production capacities. "Production potential" is the maximum

volume of production in a certain period of time, which can be achieved with the existing set of production factors, the level of production capacity and provision of stocks and qualified personnel.

Profit management of LLC "GETMAN" consists in the development of a set of measures aimed at the implementation of the company's strategy through the implementation of its plans in the form of specific results, and developed taking into account all factors that have the most significant impact on the rational and effective use of the company's production potential. Figure 4 presents indicators of the production potential of LLC "GETMAN".

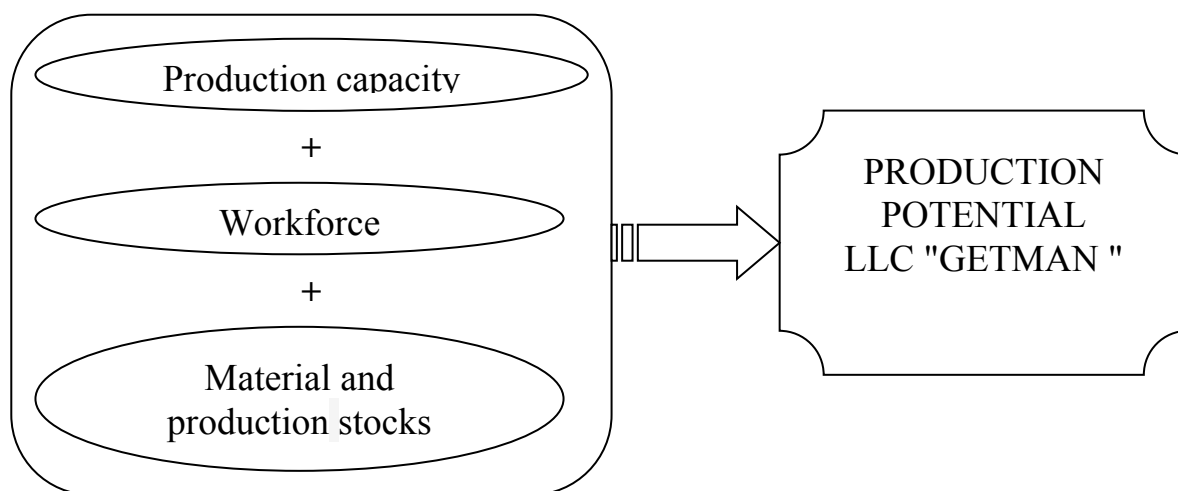


Fig. 4. Indicators of the production potential of LLC "GETMAN"

Production potential is an indicator that characterizes the ability of LLC "GETMAN" to obtain the maximum possible production result and achieve strategic goals, it is determined by the possibility of maximum use (loading) of the production capacity of the enterprise for optimal transformation into a competitive product, like any dynamic system, production potential the enterprise needs management, which usually boils down to the formation of a system of rational use of available resources during the production process. The assessment of the rational use of production potential is based on the use of production and performance indicators. The evaluation of the efficiency of the use of the production potential consists in the measurement of the components of the production potential on the basis of the system of economic indicators.

The value of the production potential of LLC "GETMAN" is necessary to identify the costs of production resources (the values of its elements), which are necessary for optimizing the rates and proportions of development, and determining

the direction of the company's development. There is a whole system of indicators for assessing the use of the enterprise's production potential: The assessment of the potential is carried out using the selection, calculation and subsequent analysis of a number of indicators. In this, a special role is assigned to the study of the dynamics of their development. First of all, the research information base is determined and specific indicators are selected. At the enterprise level, this can be the composition and structure of the enterprise's assets, the size of its main production assets, the volume of output, and others.

Further, on the basis of sources of internal information, all necessary data are collected, and the necessary indicators are calculated on their basis. Conventionally, all evaluation indicators are divided into two basic groups: absolute indicators and relative indicators. The former characterize the volume, value and cost of resources that form the basis of production and economic potential, and the latter reflect the efficiency and rationality of their use. Based on the calculation of absolute and relative indicators, as well as the determination of their growth rates, a general assessment of the results of the functioning of economic structures and the possibilities of their further development is made. Indicators of assessment of production potential:

1. Absolute indicators:

- Volume of production;
- Economic production capacity;
- The average annual cost of the main production assets.

2. Relative indicators:

- Coefficient of utilization of economic production capacity;
- Fund return;
- Material return;
- Productivity;
- Profitability of production funds.

The system of indicators characterizing the level of use of production potential elements is presented in Table 7.

After analyzing the production potential of LLC "GETMAN", it should be noted that among the indicators of the use of fixed assets during the researched period, only the return on capital increased by 14.83%. Insignificant downward changes are observed in such indicators as capital intensity (12.92%), labor capital

equipment (0.17%), renewal ratio (0.13 percentage points) and profitability of fixed assets (29.79%). Indicators of the use of working capital showed that the turnover ratio of working capital has significant fluctuations, it increased sharply in 20219 to 36.29, then sharply decreased to 17.34 in 2020, and on average it increased by 62.71%. Material yield also increased by 21.31%, which indicates an increase in production output by 1 hryvnia of material costs. The material intensity decreased by 17.57% during the studied period and is not at a high level, since the consumption of materials is high in comparison with the manufactured products.

Table 7

The system of evaluation indicators regarding the level of production potential of LLC "GETMAN"

Indicator	2018 year	2019 year	2020 year	2021 year	2022 year	Ratio in % (deviation.+;-) 2022р. до 2018р.
Indicators of the use of fixed assets						
Fund return	0.82	3.04	1.55	0.39	0.95	114.83
Fund capacity	1.21	0.33	0.64	2.57	1.06	87.09
Capital empowerment of labor	620.75	606.43	567.52	406.29	615.35	99.13
Refresh rate	1.11	0.80	4.65	9.82	0.98	-0.13
Profitability of fixed assets	0.10	0.78	0.40	0.10	0.07	70.21
Indicators of the use of working capital						
The turnover ratio of working capital	10.09	36.29	17.34	4.15	16.42	162.71
Turnover of working capital	36	10	21	87	22	61
Anchoring factor	35.67	9.92	20.77	86.65	21.93	61.46
Material capacity	0.57	0.15	0.29	1.31	0.47	82.43
Material yield	1.76	6.83	3.43	0.77	2.13	121.31
Profitability of working capital	0.22	1.75	0.89	0.20	0.16	74.17
Indicators of the use of labor resources						
Productivity	511.86	1842.05	880.98	157.82	582.65	113.83
Profitability of labor costs	7.65	52.80	24.73	4.15	4.17	54.56
The level of labor costs	1.63	0.48	1.05	6.25	1.83	112.08
Summarizing indicators of the use of production potential						
Product profitability	9.67	54.51	26.42	8.04	6.95	71.87
Profitability of sales	12.47	25.60	26.08	25.92	7.62	61.11
Return on capital	10.28	77.75	40.48	10.07	7.22	70.23

Indicators of the use of labor resources show that labor productivity at LLC "GETMAN" increased by 13.83% due to an increase in net income from the sale of products by UAH 9061000. The profitability of costs for the maintenance of labor



resources decreased by 45.44% due to an increase in the level of payment costs by 12.08%.

All general indicators of the use of production potential have a negative tendency to decrease the profitability of production by 28.13%, the profitability of sales by 38.89% and the profitability of capital by 29.77%.

Private indicators that characterize various subsystems of the production potential of LLC "GETMAN" were considered above. The considered set of evaluation criteria is certainly not finite and can be changed by adding coefficients and characteristics. These indicators are calculated by comparing the obtained results in dynamics. The information base for the analysis of the effectiveness and efficiency of the financial and economic activity of LLC "GETMAN" is made up of accounting and financial reporting.

Thus, an idea of the efficiency of using the production potential of LLC "GETMAN" and its individual elements allows to manage production resources to a certain extent, as a result of which there is a possibility of an enterprise aimed at increasing profitability.

The financial efficiency of the activity of "GETMAN" LLC is determined by the indicators of form No. 2 "Report on financial results (Report on total income)" - the profit was received by the enterprise based on the results of the investigated period. Even if a profit was made, its absolute value does not tell how good the financial results are. To establish this, it is necessary to focus on relative indicators of financial efficiency, which take into account both the financial result and the amount of capital involved in the company's activities. It is about return on assets and return on equity (formulas 15 and 16).

$$\text{Return on assets (ROA)} = \frac{\text{Net profit}}{\text{Assets}} = 0.053 \quad (15)$$

$$\text{Return on equity (ROE)} = \frac{\text{Net profit}}{\text{Equity}} = 0.154 \quad (16)$$

When calculating the specified coefficients, it was taken into account that the denominator of the fraction took assets and equity not at the end of the analyzed period, but on average for the period for which the financial result was taken (that is, the value at the beginning of 2022 plus the value at the end of 2022 divided by 2).

The profitability of assets shows the financial efficiency of using all the assets belonging to LLC "GETMAN" (total capital), or how much hryvnia profit each

hryvnia of the company's assets has brought. Return on equity is a similar indicator, but reflects the return on one hryvnia of equity capital. The first indicator is usually smaller than the second (if there is even a hryvnia of payables in the balance sheet). The net profit of LLC "GETMAN" for 2022 amounted to UAH 1510000.

The profitability of the company's equity capital (15.4%) turned out to be higher than the level of possible alternative profitability (10%), which is a good indicator (Table 8).

Table 8

Recommendations on optimization of property and sources of occurrence

Indicator	The actual value of the indicator in 2022, %	Recommended minimum value, %
Return on equity	15.4	10
Return on assets	5.3	4

In order to assess the debt burden on the organization, investors, in addition to the autonomy coefficient, calculate the interest coverage ratio. The interest coverage ratio (ICR) shows how many times the profit before interest and taxes exceeds the interest paid on borrowed funds (formula 17).

$$ICR = \frac{EBIT}{\text{Interest to be paid}} = 1.85 \quad (17)$$

In world practice, it is considered that the critical value of the coefficient is less than 1.5. The interest coverage ratio is 1.85. however, in the statement of financial results, interest payable does not include those accrued interest on credits and loans that were used to purchase investment assets (construction and purchase of fixed assets and other non-current assets). If such expenses have occurred, the actual debt load may be greater than the interest coverage ratio shows.

In order to recognize sustainable growth in LLC "GETMAN", indicators of the efficiency of agricultural activity must stabilize in dynamics. In recent years, there has been an unstable trend in the formation of profitability indicators with a certain amplitude of fluctuations, both upward and downward. The main reason is related to the fact that the growth of profitability is ensured by only a small part of financial and economic indicators. In order for efficiency and effectiveness indicators to have stable and sustainable growth, it is necessary to ensure their increase over the last five years. From table 9, it can be seen that the share in different years of LLC

"GETMAN" has a tendency to decrease the return on equity, which indicates the "eating" of equity. In 2019 and 2020, a rate of return higher than the inflation rate is ensured.

Table 9

Indicators of return on equity

Indicator	2018 year	2019 year	2020 year	2021 year	2022 year
Return on capital	10.28	77.75	40.48	10.07	7.22
Profitability of sales	12.47	25.60	26.08	25.92	7.62
Turnover of working capital	36	10	21	87	22
Absolute liquidity ratio	0.01	0.02	0.03	0.07	0.83
Equity multiplier	1.25	3.50	2.94	3.68	4.16
Return on assets	9.67	54.51	26.42	8.04	6.95

In general, it is now necessary to develop measures to increase the level of profitability of equity capital to the level of alternative profitability for LLC "GETMAN", at the same time, it is necessary to create conditions for simple reproduction of agricultural production.

Given that sales profitability (W), asset turnover (L) and equity multiplier (K) are factors of equity profitability (Y), let's build a model of the dependence of this indicator on the specified factors like the Cobb-Douglas production function. In order to build this model, it is first necessary to linearize the variables, for which we logarithmize both parts of the equation (formula 18):

$$\ln Y = a_0 + a_1 \ln W + a_2 \ln L + a_3 \ln K \quad (18)$$

The resulting regression equation will have the following form (formula 19):

$$\ln Y = 0.86 * K - 0.09 * W - 0.04 * L \quad (19)$$

And the production function during the transition to the initial data (formula 20):

$$Y = W^{-0.09} * L^{-0.04} * K^{0.86} \quad (20)$$

The interpretation of the obtained Cobb-Douglas model allows us to conclude that with an increase in the equity multiplier by 1%, the return on equity will increase by 0.86%, with an increase in the return on sales by 1%, the return on equity will decrease by 0.09%, and with an increase in turnover asset, the rate of return under study will decrease by 0.04%.

Reserves for increasing profits in general are an increase in sales volumes in monetary terms and a decrease in the cost price. Currently, due to inflationary processes in the market of material resources, the need to increase wages and, on this basis, deductions from it, reducing the cost of production is not a promising activity. At the same time, the increase in sales volumes in value terms is the most relevant source of profit growth. Reserves for increasing the volume of crop production are the full use of land resources, improvement of the structure of crops, additional application of fertilizers, increase in the payback of fertilizers, optimal timing of harvesting. Reserves for the increase in the volume of livestock production are the growth of the animal population and the increase in the level of feeding.

The relevance of the chosen topic of the article is due to the increased interest of enterprises in the process of profit formation and the search for approaches that allow to organize the improvement of profit management in the system of ensuring the financial and economic security of the enterprise. Profit is the main criterion for success, without profit, the enterprise cannot count on long-term existence and further development, which determined the priority of profit management tasks in the concept of providing financial and economic security of the enterprise. who is responsible for the final results of the company's activities. This requires a special management system, characteristic of modern economic conditions. Both theory and practice convince that it is impossible to achieve success on the market without effective and purposeful management of all processes related to functioning in the system of ensuring financial and economic security of the enterprise.

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### **3.5. FEATURES OF THE SYSTEM OF ACCOUNTING AND ANALYTICAL SUPPORT OF THE COMPANY'S RECEIVABLES**

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**Summary.** In today's environment, observing the process of settlements between domestic enterprises, we can clearly see a growing trend of non-payment crisis. First of all, it is characterised by rather significant payment arrears, which makes it necessary to look for additional opportunities to increase the competitiveness of goods, works and services in the market. One of them is a more thorough focus on the company's receivables, which is a significant component of current assets, to improve business performance.

In general, accounts receivable, together with inventories, account for a significant portion of the assets on a company's balance sheet. Efficient accounting in this area can significantly improve the overall solvency of a company and increase the turnover of its assets. In view of the above, and in order to reduce the amount of receivables and avoid undesirable and unpredictable consequences, management needs to have an accounting and analytical data set to ensure more efficient formation and functioning of the accounting and analytical support of the enterprise as a whole.

Accordingly, the above issue remains relevant, as high-quality accounting and analytical support allows for more efficient implementation of key management functions - accounting, reporting, analysis, planning, control and regulation.

There is a wide range of research papers on the formation and functioning of the system of both accounting and analytical support for receivables. It is worth noting that increased attention is paid to the formation of the accounting information array due to the need to reflect it in the accounting registers and financial statements;

highlighting the methodological and organisational aspects of accounts receivable accounting; determining the optimal amount of accounts receivable; determining the mechanisms of functioning of accounting and analytical support for accounts receivable; mastering promising methods of accounts receivable management, etc.

**Keywords:** accounting and analytical support, control, accounts receivable, formation of the system of accounting and analytical security, analysis of customer receivables.

The economy at the level of the state can be interpreted as a set of economic actors and methods by which people create wealth to meet their needs. This is a rather complex economic organism, which in turn relies on a huge number of different industrial, commercial, financial and information structures, which are linked by an extensive system of social and legal norms and united by a single market concept. Economic relations between different business entities are formed in different markets: markets for final goods and services, financial markets, markets for production factors, and credit markets. These relations are mediated by the movement of cash and financial flows.

In different markets, economic relations between business entities, whether they are buyers, customers, contractors or suppliers, objectively give rise to various types of debt. Their occurrence is related not only to the peculiarities of the circulation sphere, but also to the organisational features of production, financing and cash flow turnover. The formation of debt is related to the direct duration of the production cycle and the seasonality of production, which may also involve a certain time lag between production and final sales.

Thus, the emergence of debts is an objective process in the system of relations between enterprises and their counterparties. Moreover, as the scale of social production grows and economic relations become more complex, their size will inevitably increase, which requires special attention to the effectiveness of accounts receivable management.

The primary task of researching the relevant topic is to determine the essence of accounts receivable. In this regard, the positions of accountants, financial analysts, economists and lawyers differ somewhat due to different approaches to understanding these phenomena.

Let us consider these concepts from a historical perspective. The emergence of

the term "debtor" back in the VI century BC is associated with ancient Rome, which introduced such concepts as "expensilatio" (a note in the creditor's code with the consent of the debtor, who first gives the latter a certain amount of money or value) and "acceptilatio" (a note on the payment of a debt). A debtor was a person to whom a certain amount of money or value was given. These amounts of money given were considered receivables.

In 1625, Jacob van der Schuer defined a debtor as someone who has (owns), receives, is supplied, sold or hopes to receive payment from, or, finally, who has to pay. The creditor was the one who gives out (spends), with whom they pay, from whom they receive, with whom they deal, who sells, delivers, from whom they buy, the one to whom they have to pay [18]. In other words, the concepts of "debtor" and "creditor" were initially identified only with a person.

The first publication on the accounting topic and a kind of pioneer in accounting was Luca Pacioli's book "The Sum of Arithmetic, Geometry, the Doctrine of Proportions and Ratios" [12], which was mainly devoted to mathematics and at the same time contained a whole section on double-entry accounting with the title - the treatise "On Accounts and Records". A significant achievement of L. Pacioli is the introduction of the first classification of sources of debt coverage for goods: cash; credit; exchange of goods for goods; repayment of receivables with payables, as well as the statement of the purpose of accounting in the first section of the Treatise. L. Pacioli wrote: "It is the conduct of one's affairs in an appropriate order and in a proper manner, so that all kinds of information can be obtained without delay, both in respect of debts and claims..." [17].

And already in the first accounting work, it was highlighted that accounting is kept in order to quickly identify the amount of debts and claims (the legal nature of accounting) and to conduct business accordingly (the economic nature of accounting). Pacioli Luca formulated a rule that remains relevant in today's economic environment: "no one can become a debtor without his consent".

In the late nineteenth and early twentieth centuries, G. Simon and P. Gerstner became interested in the issue of receivables in German-speaking countries. For example, when determining the valuation of accounts receivable, Simon recommended reserving funds to cover possible losses (delcredere account). In Gerstner's opinion, debts themselves should be divided into secured and unsecured in accounting. The scientist also considered it unacceptable to balance receivables and

payables" [12]. The Dutch scientist Simon van Steven (1548-1620) believed that accounting is a combination of micro and macro accounting, and the latter "should provide data on the immediate state of settlements with accountable persons, financially responsible persons, as well as the state of settlements with creditors and debtors" [12].

It was only in the 20s of the twentieth century that accounting practice came to the division of the current account into separate active (debtors) and passive (creditors) accounts, which were eventually also divided into a number of accounts [12]. The beginning of the registration of doubtful debts and the accrual of provisions for them is described in the works of scientists since the nineteenth century. In particular, such scholars as K.I. Arnold, I.I. Babenko, A. Guilbeau, G. Simon propose to create a reserve for doubtful debts and maintain a special account for them (the "Delcredere" account).

Later, "debtor" and "creditor" were identified not only with a person, but also with goods, money, and accounts. According to J. Luzzato, "the dual aspect of each transaction became possible because not only people but also objects began to appear as debtors and creditors" [15].

Already at the beginning of the twentieth century, S.I. Koretsky noted: "the relationship between two people entering into a contract can be represented by the Latin terms "debit" (owe) and "credit" (trust someone). Thus, in the case of someone who lends money to someone, he/she believes that it is a loan, and then he/she is called a creditor. The person who receives the loan becomes a debtor - it is a debit, and then he (she) is called a creditor" [15].

Professor Bodie Z. and Professor Merton R.K. of Harvard University defined accounts receivable as accounts receivable, believing that it is the amount that the buyer of products must pay to the enterprise [18].

Some Ukrainian scholars consider accounts receivable to be cash withdrawn from an enterprise or held by others for a certain period of time. We believe that this approach is not entirely correct, as funds withdrawn from an enterprise do not always turn into receivables. In the opinion of legal scholars, it is more correct to use the term "property claims" to describe accounts receivable - the property of an entity includes its property claims to other persons who are debtors in legal relations arising under other circumstances.

As for modern domestic scholars, Stepanenko O. I. defines accounts receivable



as goods (works, services) and/or funds withdrawn from the enterprise's circulation by individuals and legal entities that are unpaid by individuals and legal entities and document the right to receive debt in the form of cash and cash equivalents or other assets [16].

Thus, there is no unambiguous definition of accounts receivable in scientific research. A study of modern scientific approaches to the interpretation of receivables has revealed a number of shortcomings that need to be clarified, namely a narrow content focus and the lack of a comprehensive approach to the definition of this concept.

According to international and national accounting standards, accounts receivable is defined as the amount of debt owed by debtors to an enterprise as of a certain date. However, it should be noted that the term "accounts receivable" under international accounting standards has significant differences.

The methodological basis for the formation of information on accounts receivable in accounting is set out in the National Accounting Regulation (Standard) No. 10 "Accounts Receivable" [10]. According to NP(S)BU No. 10, accounts receivable is "the amount owed by debtors to an enterprise as of a certain date" [10]. It is worth noting that IFRS does not have a specific standard for accounts receivable, but the principle of conservatism should be followed when preparing any reports. There are no significant differences in foreign and national practice in defining accounts receivable. Methodological approaches to accounting for accounts receivable in accordance with international standards do not have a specific standard, as mentioned above, but one should be guided by IFRS No. 1 "Presentation of Financial Statements", IFRS No. 18 "Revenue", IFRS No. 39 "Financial Instruments: Recognition and Measurement", according to which accounts receivable is "the amount of debt owed by debtors at a certain date" [9].

For a holistic understanding of the concepts of "receivables" and "debtor", these categories should be considered not only from an economic point of view, but also from the legal content inherent in them. Regulatory documents governing accounts receivable are divided into 5 levels, namely:

1. The Constitution of Ukraine, Codes, Laws.
2. Decrees and orders of the President of Ukraine, Resolutions of the Cabinet of Ministers of Ukraine.
3. National and international accounting standards.

4. Methodological recommendations, instructions, explanations of the Ministry of Finance of Ukraine.

5. Internal documents - administrative documents, accounting policies.

While companies in the first four levels cannot change and must adapt to the existing conditions, the internal documents developed by the company are manageable, allowing for sufficient flexibility in regulating their own business activities.

The ability to navigate between different conflicting regulations helps to keep the company's accounting records correctly and to analyse and manage receivables in a timely manner.

We highlight in Appendix A the basic regulatory documents that reflect the aspects of accounts receivable.

To summarise, the concept of "receivables" has many interpretations, both in the scientific and economic literature and even in regulatory sources. There is no regulated classification of accounts receivable, which in turn causes discrepancies in international and national accounting.

The very fact of receivables arising at an enterprise of any form of ownership is a fairly objective process. The direct presence, amount and composition of receivables have a multidirectional impact on the company's business results, as they have both positive and negative features (Fig. 1).

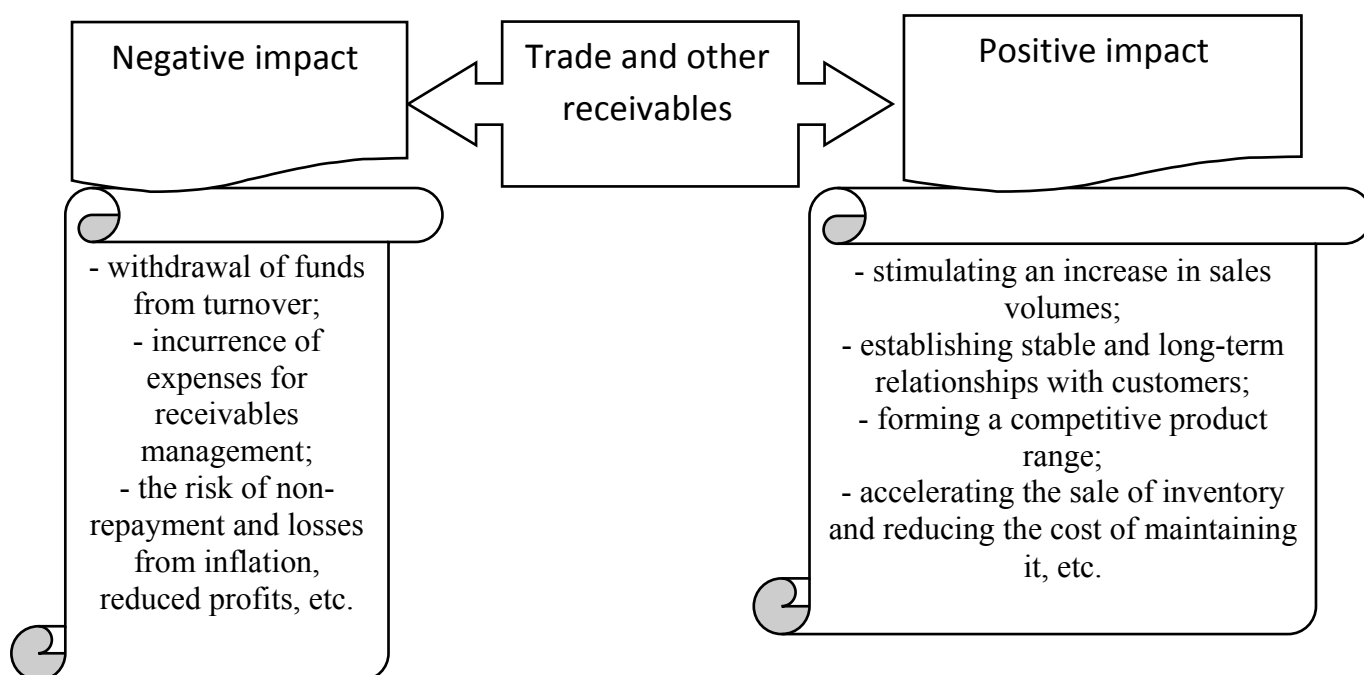


Figure 1. Disadvantages and advantages of receivables.

Thus, the formation of accounts receivable at enterprises involves direct and opportunity costs: the diversion of funds from circulation, the risk of non-repayment, and the risk of losses from inflationary processes. At the same time, it brings significant benefits - lending to consumers increases sales. Without proper control, debt can significantly exceed permissible levels, which will subsequently lead to a decline in cash flows and a significant reduction in profits.

As already mentioned, the basic document that regulates the procedure for recognising, measuring and reporting accounts receivable is NUAS 10 "Accounts Receivable", which defines accounts receivable as "the amount owed by debtors at a certain date" [10], and "debtors, in turn, are individuals and legal entities that owe the company certain amounts of cash, cash equivalents or other assets in the past" [10].

The emergence of accounts receivable in general, as noted earlier, is a fairly objective process caused by the presence of risks in the course of settlements between counterparties in relation to business transactions. Accounts receivable are recognised on an accrual basis, whereby the shipment of products, goods, services, or work to customers is considered an event that gives rise to current debtors (unless prepaid or immediately paid).

Usually, debtors' debts to an enterprise arise as a result of two events (inherently diametrically opposed), namely

- shipment of manufactured products or goods, performance of works or provision of services in case of delay in payment of their value;
- prepayment for products or goods, works or services in case of default by the supplier.

Accounts receivable may also arise from settlements

- with suppliers of resources, buyers of goods (products, works, services);
- the budget for taxes and payments, insurance companies, banks, related parties (in case of joint activities or equity participation)
- other organisations (research, consulting, legal; for the provision of services - security, communications, information support, postal services, etc;)
- individuals (for labour remuneration, settlements on accountable amounts, compensation for material damage).

It should be noted that the main risk in the formation of accounts receivable is the risk of non-payment, which may arise for the following reasons:

- 1) the customer is dissatisfied or not fully satisfied with the company's

products or services, and delaying payment is the best way to draw attention to this;

2) the customer has sufficient funds, but the payment schedule drawn up by the customer does not coincide with the company's expectations, i.e. the budgets of both counterparties are not agreed;

3) the customer has insufficient funds to fulfil all obligations.

Thus, there are many interpretations of the term "accounts receivable" from both an economic and legal perspective. The first mention of this term dates back to the sixth century BC and remains relevant to this day. To summarise the definition, accounts receivable are debts owed by debtors as of a specific date that arose in the course of contractual relations with counterparties or employees of the company. It is an important part of operating activities that affects the size and structure of cash flows of enterprises. A sharp increase in the amount of receivables and a lack of quality control may adversely affect the company's solvency and credit policy and indicate insolvency and even possible bankruptcy of customers.

As a system of relations, accounts receivable is quite heterogeneous in its composition, which is why it is divided into different types from a theoretical point of view and in business practice. "Classification is a system of subordinate concepts (classes, objects), a means of establishing links between these concepts or classes of objects" [6].

"The purpose of classification is to determine the place in the system of any unit (object) with an indication of its properties" [6]. The qualitative classification of receivables and payables, as well as the optimally defined classification features, determine not only the procedure for their accounting in general or individual components, but also the level of efficiency of their management.

The analysis and generalisation of approaches to the classification of receivables can be systematised in the following areas:

1. By the objects of the relationship that are formed when determining receivables.

Most cases can be divided into two main types of receivables: commodity and non-commodity. Commodity receivables are those transactions that involve payment for products (in kind), works or services. It can be said that trade receivables arise as a result of a business entity's normal operating activities, which may include the sale of goods, provision of services or performance of work. In turn, non-commercial receivables include all cases other than the above.

It should be noted that in the presence of various features of receivables classifications, it is most often classified according to one specific feature within the accounts in accordance with the Unified Chart of Accounts. This is due to the current accounting procedure that exists in Ukraine, where the actions of an accountant are strictly regulated. In countries with a market-based approach to the economy, the decision to include certain types of receivables in the balance sheet and the direct degree of detail of these items is made by the company, and therefore the structure and composition of receivables when included in the balance sheet may differ significantly in each country.

2. The classification of receivables may be based on the following criteria when preparing financial statements:

- connection with the normal (normative) operating cycle;
- maturity date;
- Objects in respect of which the debtor's obligations directly arose;
- timeliness of payment of the debtor's debt.

The respective classification of receivables proposed by the NSAU reflects their objective composition as of today.

3. In today's environment, the most commonly used classification is based on the characteristics of counterparties. In this case, for the purpose of analytical procedures, it is not enough to single out only debts of national or foreign debtors in accordance with the current Chart of Accounts. It is also necessary to distinguish the sign of debt occurrence in accordance with the relations of counterparties, namely

- debts to or from customers;
- debts to suppliers or directly from suppliers to us;
- Recognition of debts of other counterparties. Other parties include employees, owners, budgetary organisations, extra-budgetary funds, as well as our own structural units, subsidiaries or branches. This grouping allows us to assess the clear "ownership" of the debt and is important for the implementation of control functions in the overall management system.

4. A qualitative assessment of the financial condition requires detailed analytical accounting of accounts receivable, which has become easier today due to the introduction of automated computer accounting programmes. It is the use of the latter that will allow to assess the financial condition at a new qualitative level and can become the basis for making management decisions on receivables [6].

In view of the above, the classification of receivables used in the Anglo-American accounting system, which divides them into the following groups, is of new importance

- invoices receivable (this is a type of receivable that arises when goods are sold on an "open account" basis, without a written obligation of the buyer to pay the invoice)

- promissory notes receivable;
- receivables not related to sales.

Experts' opinions on the division of receivables into long-term and current ones are not unanimous. Some experts believe that such a division is an important tool for financial analysis, while others believe that the classification of receivables, like other classifications, is conditional and, therefore, not mandatory.

In our opinion, this is important for obtaining more reasonable conclusions based on the results of financial analysis and, accordingly, for developing the necessary recommendations.

Butynets F.F. provided proposals for the classification of receivables by liquidity level, namely: "... to divide accounts receivable on the balance sheet into long-term and short-term depending on the maturity, which fully corresponds to the classification of accounts receivable items on the balance sheet. sheet" [1].

Thus, we observe that some authors see the classification as more detailed, others - on the contrary, but in any case, it should comply with the current regulatory framework.

5. Debt relations can also be divided into external and internal according to the place of their origin.

External debt - occurs with counterparties outside the company (buyers, budgetary organisations, suppliers, extra-budgetary funds, etc.). Internal debt is formed within the company itself in relations with employees, owners or structural units. The distribution of debt in this way makes it possible to clearly see the direction of cash flows.

6. Depending on their maturity, accounts receivable are divided into short-term and long-term in the balance sheet:

- short-term receivables include: short-term receivables for products, services, works; short-term bills of exchange received; other short-term receivables;
- long-term receivables include: long-term receivables for products, services,

works; long-term promissory notes received; other long-term receivables.

This approach to the classification of accounts receivable in the balance sheet primarily takes into account the level of liquidity of the items, which is more useful for users of financial statements in assessing the financial position of the company, provides more complete information on the level of accounts receivable and the possibility of converting financial liabilities into cash.

7. The maturity profile of debt becomes important. The expected and current maturities of debt are not reflected in the accounting records.

It would be more appropriate to divide receivables by actual maturity into urgent, overdue and deferred, which is reflected in the accounting records in the relevant analytical accounts that track the term of the contracts.

When determining whether a debt is doubtful for accounting, it is important to separate debt by collateral (surety, guarantee, bill, pledge). We believe that it is necessary to distinguish between secured and unsecured debt.

8. Two groups can be distinguished by the origin of the debt: deferred payments and advance payments. This approach allows to assess the degree of trust in relations with different counterparties.

9. Depending on the nature of the debt, it may be permissible (normal), arising in the course of operational and financial activities, and unjustified, due to violation of financial discipline. This criterion is important not only for monitoring the state of debt, but also for a more correct assessment of income and expenses of operating activities.

10. Based on the fulfilment of contractual terms, debts can be classified as either not yet due, overdue or deferred. Such a grouping allows for enhanced monitoring of payment and contractual discipline and timely decision-making on the application or avoidance of penalties.

11. According to the probability of repayment, debts are divided into debts that are likely to be repaid, doubtful and uncollectible. This grouping is important for determining the order of settlement and repayment of the debt or for writing it off the balance sheet and recognising income.

12. According to the duration of the relationship with counterparties, debts are grouped into those that are constantly renewed in the course of operating and financial activities and those that arise periodically or spontaneously. The former is usually formed in the course of contractual relations with regular customers. All other

debts can be classified as recurring or incidental. Such an approach to the division of debt makes it possible to maintain an appropriate level of stability and sustainability of the company's operations when making management decisions.

In view of the above, the classification of receivables has been optimised and the following classification is recommended. This classification highlights the economic essence of different types of receivables and allows for a more thorough financial analysis.

To date, the scientific literature lacks a clear and comprehensive classification of the factors that affect a company's receivables, although it is a basic component of the concept of "receivables management". That is why the classification should be based on the receivables management system, which would be based on two blocks that are most often identified in the economic literature - credit policy and receivables management policy [6].

The formation of receivables is determined by external and internal factors. External factors practically do not depend on the company's activities and it is almost impossible to limit their influence (Fig. 2).

Thus, external factors of influence also include

- the general state of the economy in the country - in the conditions of a general decline in economic activity, entities usually receive less profit, and the liquidity of the assets of the entity itself decreases. Failure to receive payment for its products or services on time creates a knock-on effect of non-payment, which leads to the accumulation of receivables and delays in settlements with existing creditors;

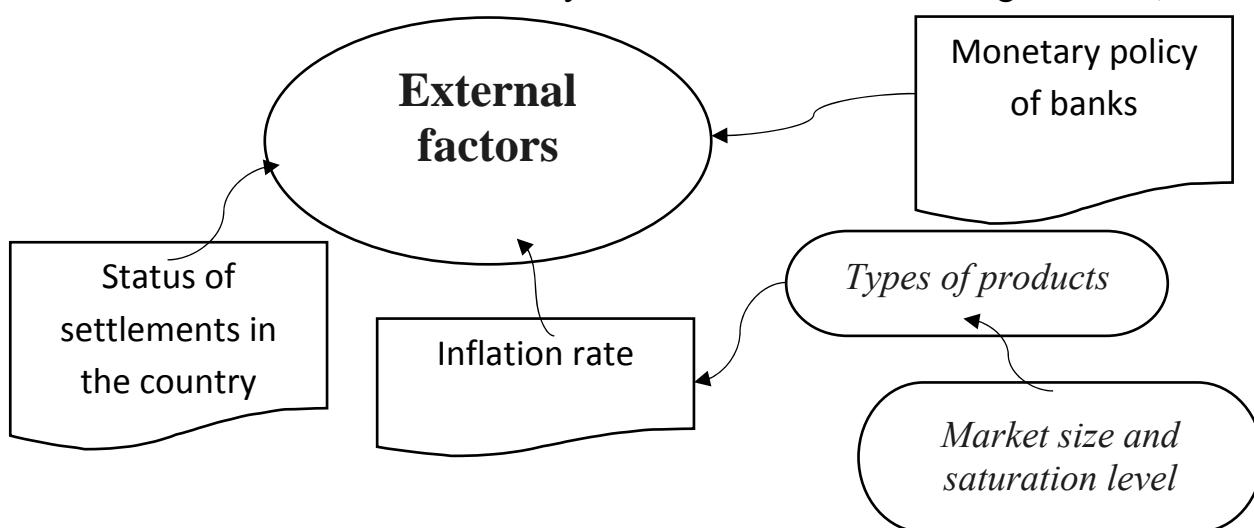


Fig. 2. External factors affecting receivables.

- transport and logistics tariffs - too fast and often uncontrolled growth of prices or tariffs leads to an increase in receivables;



- seasonality of production and seasonality of sales - production of seasonal products (performance of works or provision of services) is associated with an increase in the amount of receivables, as before the onset of the season, organisations practically live in debt at the expense of future sales;

- the level of household income. This factor can be explained by the following pattern: as household incomes grow and tariffs remain unchanged, the likelihood of full and timely repayment of debts to the company increases; conversely, as tariffs grow and household incomes remain unchanged or grow at a slower rate, the likelihood of late payment for goods or services increases.

Internal factors can be much more controllable and the company can independently influence them by making management decisions (Fig. 3).

Internal factors affecting the volume of receivables include:

- credit policy of the enterprise;
- professional and personnel qualities of the financial manager for receivables;
- types of calculations used;
- status of receivables monitoring.

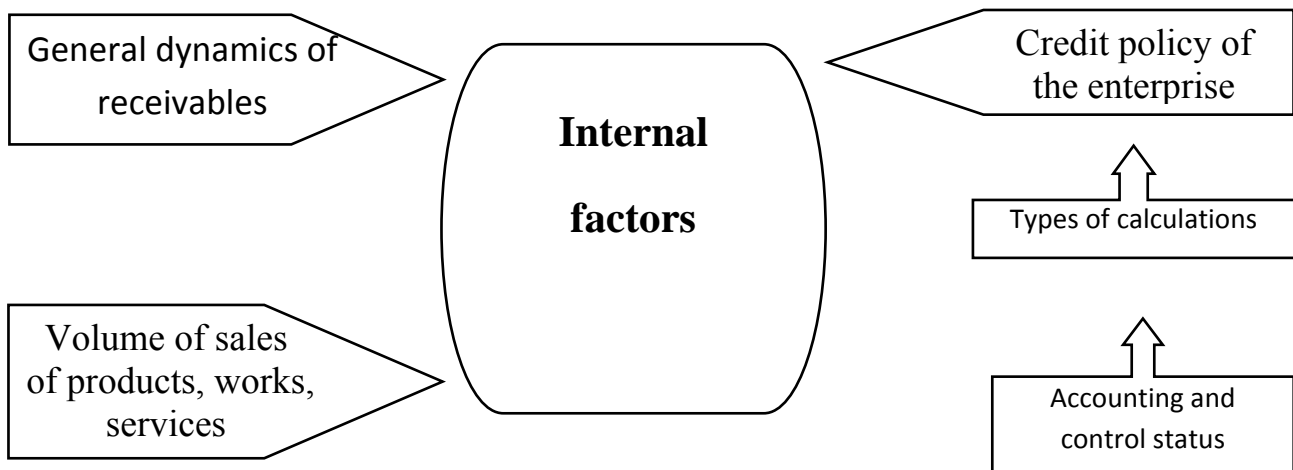


Fig. 3. Internal factors affecting receivables

Blank IA also adds to the classification not only factors that directly affect receivables, but also factors that have such an impact through the mechanism of implementing credit policy indirectly [12].

So, in the process of polemics, a vision of the classification of factors that directly affect the formation and size of receivables is proposed. Analysis of these factors and their consideration significantly affects management decisions and makes it possible to study and optimize receivables.

Legal regulation of accounting in the national legislative and regulatory field can be called a system of acts, according to which the entity conducts its activities and provides quality management of its accounting and reporting. Therefore, of course, a necessary condition for legally correct accounting of receivables, like any other link, is the study and development of the regulatory framework governing settlement operations.

First of all, it is worth noting that the accounting of receivables in our country is regulated by economic legislation. Thus, economic legislation acts as a normative base of economic law and order, namely the rules of organization and direct implementation and management of economic activity.

Legislative documents in the Ukrainian legislation regulate all settlement operations, dictate the order of their direct conduct and control the process of their observance.

According to the Commercial Code, section 4, "an economic obligation is recognized as arising between an entity and a second participant (or participants) of economic relations on the grounds provided for by this Code, according to which one entity (obliged party, including the debtor) is obliged to perform a certain economic or managerial-economic action in favor of the second entity (pay money, transfer property, perform work, provide information, etc.) or refrain from such actions, and another entity has the legal right to require another person to perform his duties "[4].

Economic and property obligations that may arise between economic entities or between economic and non-economic entities - legal entities according to economic agreements are called economic and contractual obligations.

In Ukraine, the Tax Code regulates the relations that arise in the field of fiscalization of taxes and fees, in particular, defines the full list of taxes and fees paid in Ukraine and the procedure for their collection, defines their payers, as well as the rights of payers and their duties [14].

The methodological basis for the formation of information on receivables in accounting is determined by NP (S) BO No. 10 "Receivables" [10] and NP (S) BO No. 15 "Revenues" [11]. Accounting for settlements with customers and buyers is directly regulated by the Law of Ukraine "On Accounting and Financial Reporting" [5]. Also, for proper reflection of accounting, instructions "On the use of the chart of accounts of accounting" [8] and "On non-cash settlements in Ukraine in national currency" [7] are used. In particular, the instruction on the chart of accounts, the

Chart of Accounts approved by the Methodological Council for use in the process of accounting for economic activities, which has been introduced by all enterprises since 2000, was recorded [8].

According to the Instruction "On non-cash payments in Ukraine in national currency" "non-cash payments are the transfer of a certain amount of funds from the accounts of payers to the accounts of recipients of funds" [7]. These calculations are made by the bank on the basis of settlement documents in paper or electronic form. The specified instruction also regulates all types of non-cash payments and the procedure for their conduct, debiting funds from a bank account, document circulation rules, the procedure for calculating penalties.

For the qualitative organization of accounting for all receivables at the enterprise, it is worth using the Order on Accounting Policy, the working chart of accounts, and the primary documents developed for their own features. The accounting policy of the enterprise primarily outlines the ways of organizing and maintaining accounting at the enterprise, taking into account the peculiarities of the conditions of its activities.

Each farm develops a working chart of accounts for itself, including only those accounts that have practical use in appropriate conditions. The work chart of accounts is approved by the head of the enterprise. At the same time, the procedure for using each account is unchanged and regulated by the instructions for using the chart of accounts. In addition, each company has the right to develop its own specialized primary documents, provided they have mandatory details (for internal management accounting).

The accounting policy as a whole is a set of principles, procedures and methods for organizing the accounting system of a certain process. The order on accounting policy is the internal regulations of the organization of accounting of the enterprise. This document should take into account the following features: - the form of ownership of the enterprise and its organizational and legal structure; types of economic activity that determine the features and conditions of accounting; entity's scope of activities, product range, number of employees, etc.; selected taxation system, availability and conditions for obtaining benefits [2].

As for the rationalization of the organizational components of accounting, the Order on Accounting Policy, in particular, indicates the mandatory need to inventory assets and liabilities.

Given that the Chart of Accounts has been developed for the purpose of application in all segments of the national economy, it is quite clear that in different enterprises only a separate part of accounts is used, which have more practical use for economic entities. Accordingly, each firm implements for itself an appropriate working chart of accounts, which optimally takes into account the features of its activities. Approval of such a work plan passes only through the head of the enterprise, since it is he who is fully responsible for the entire organization of accounting. In this case, the procedure for applying each individual account, established instructively, the management has no right to change. It is also important to understand that the maximum stability of the chart of accounts used directly at the enterprise ensures a stable quality of accounting, and therefore it is important to thoroughly approach the issue of forming such a work plan and form it in the optimal way.

To control the status of receivables and monitor potentially unpredictable consequences regarding its non-optimized size, the management of each enterprise in the person of the head and chief accountant must have clear and operational accounting information. Accounting support is "a set of all types of accounting, accounting processes combined into a system and aimed at satisfying the information needs of users by converting primary information into generalizing information according to certain goals" [3].

One of the three components of accounting security and, perhaps, the most important is the system of accounting security is accounting security, since it is on accounting data that analysis is based and management decisions are made. In general, the accounting support can be represented in Figure 4.

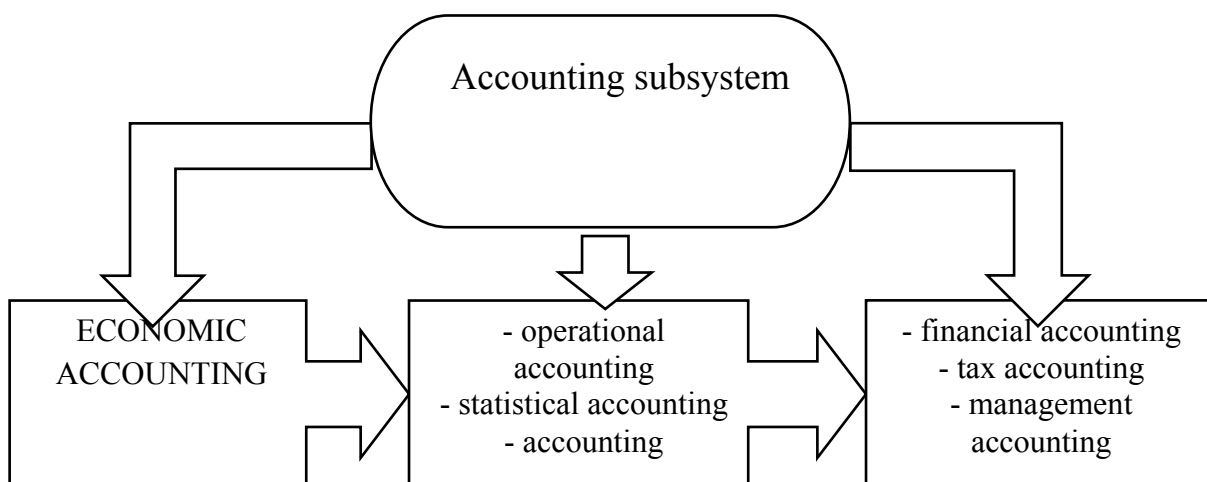


Fig. 4. Enterprise Accounting System

A prerequisite for the functioning of accounting and analytical support is the collection of accounting information. The usefulness of information for management is determined primarily by its qualitative characteristics: clarity, timeliness, materiality, reliability, essence of form, neutrality, prudence, completeness, compatibility, timeliness and economic feasibility. Accounting information is at the heart of accounting and decision-making. The formation of information involves its collection, registration, accumulation, systematization and processing. At this stage, it is necessary to avoid errors or to detect and eliminate them in time, since corrections are possible at this "initial" stage.

It should be noted that when keeping records, business entities are primarily guided by the Law of Ukraine "On Accounting and Financial Reporting" [5]. Accounting at the enterprise is a mandatory type of accounting, since it builds financial, tax, statistical and other reports that use a money meter. Financial accounting is built similarly, because sometimes these concepts coincide. The accounting scheme for receivables is shown in Figure 5.

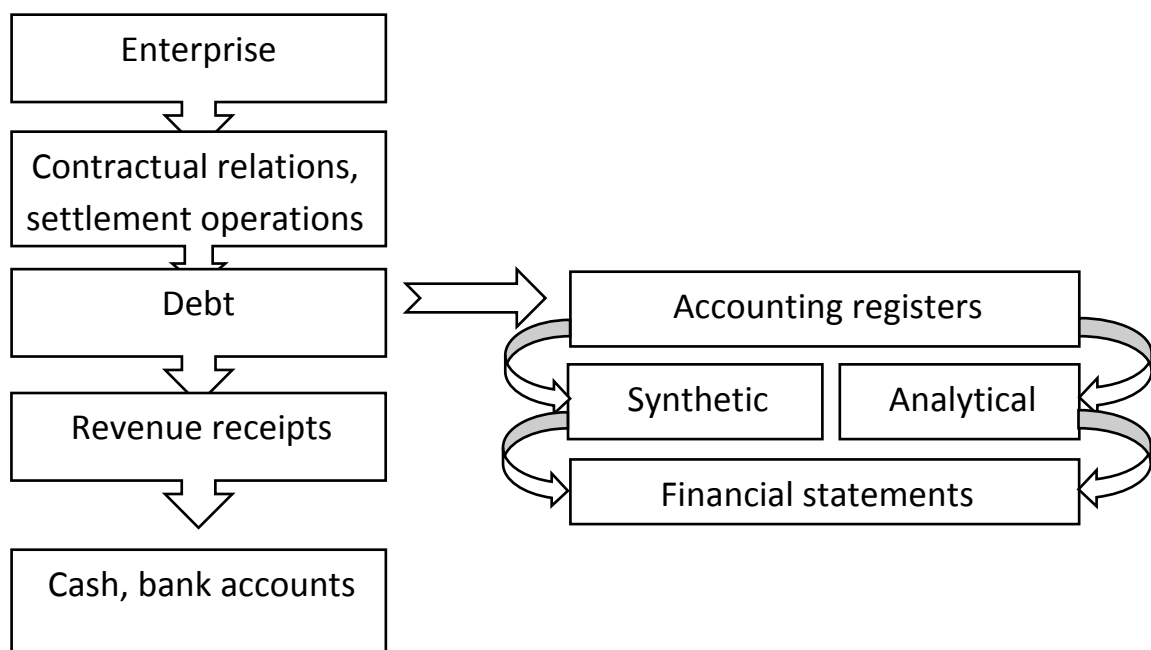


Fig. 5. Receivables accounting scheme

Tax accounting is a system of mandatory forms and methods of reflection by the taxpayer of the results of its economic activities or other objects that are associated with the determination of the tax liability from individual taxes. Business entities maintain tax records in accordance with the Tax Code of Ukraine. The formation of tax returns is automated through software accounting software, which,

in turn, greatly facilitates accounting for the accountant and minimizes the number of unforced errors. Accordingly, the management accounting of receivables is an integral part of the system of processing and preparing information on the activities of the enterprise for internal management needs. And although management accounting is not mandatory, its implementation has a number of advantages:

- management accounting acts as a system for ensuring the adoption of "correct decisions";
- the ability to plan and "think for the future";
- the ability to analyze accounting subsystems and provide recommendations for optimizing their work;
- analyze and investigate risks;
- establish work between departments and services.

Drawing up a schedule of document circulation can be the beginning of the introduction of management accounting, because it acts as an information component. We also note the absence in the economy of the provision on the accounting service, which does not effectively control the activities of accounting.

When conducting primary accounting, business entities are guided by the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" [5], according to which accounting of business transactions must be conducted on the basis of primary documents that record the fact of conducting a business transaction. Moreover, such a document should be drawn up directly at the event, and if impossible, immediately after the end of the process. The task of accounting is to draw up a schedule of document circulation with the indication of specific executors, the time of formation and transfer of documentation to the archive.

During the implementation of the enterprise enter into relationships with legal entities and individuals - buyers and customers, and therefore - makes calculations with them in a certain order. The basis for making payments for the services provided by the enterprise is a contract. The contract specifies the name of the services, the duties of the company and services, as well as the procedure for payment. The obligations of the contractor regarding the volumes and terms of shipment of products (goods) are also reflected. Particular attention in the contracts is paid to the price of the goods, the terms of delivery, the payment procedure and the terms of payment, because these terms of the contract are essential and necessary when resolving the dispute in a claim procedure.

When selling products, the accounting department issues the corresponding source document. One copy remains in accounting and serves as the basis for the reflection in the accounting registers of the occurrence of receivables. Based on the primary documents, accounts receivable are recorded; they indicate the fact of economic transactions. The main primary documents reflecting the occurrence and repayment of receivables are displayed in Fig. 6.

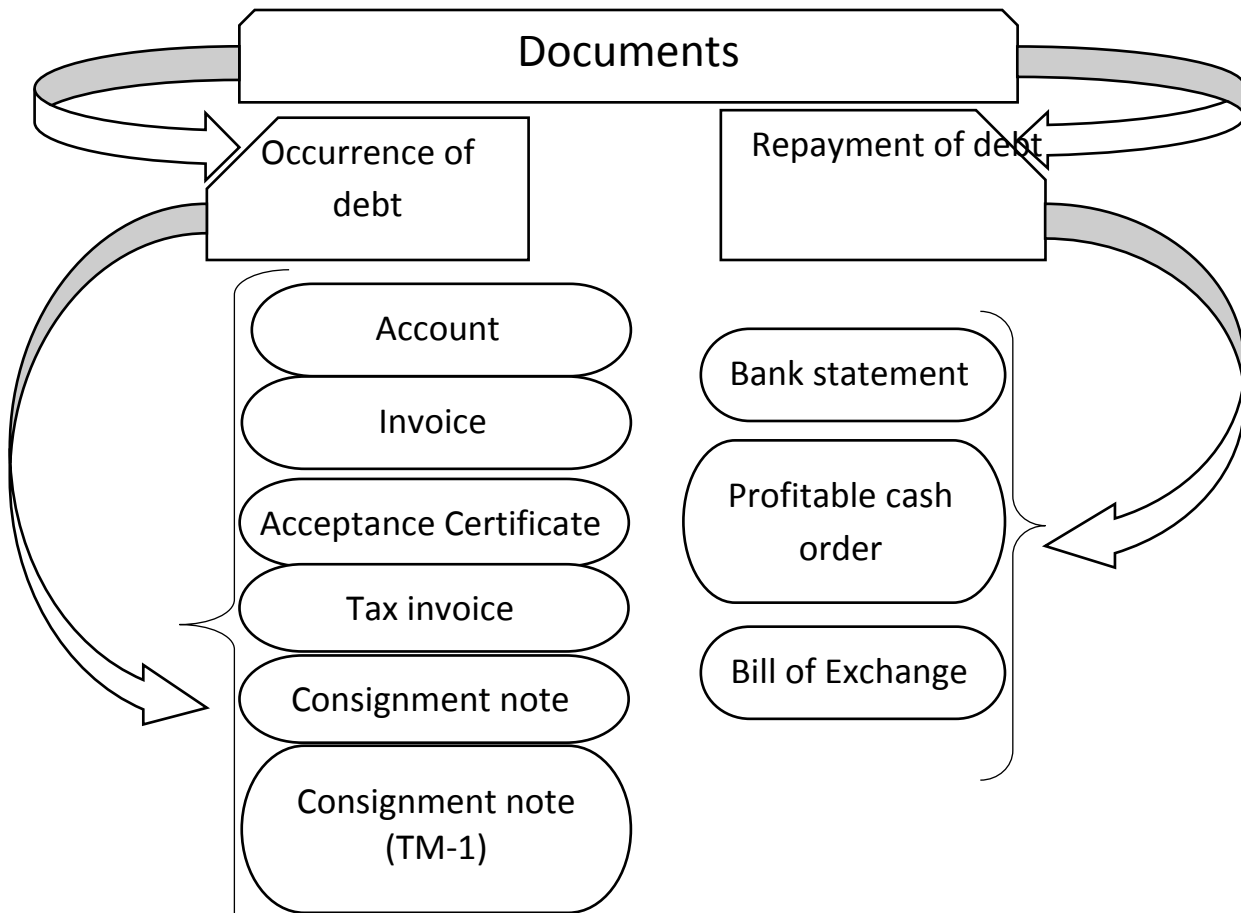


Fig. 6. Primary documents on settlements with buyers and customers.

Products are released on the basis of an invoice. An invoice is an accompanying document that is provided to the buyer and contains a nomenclature list, the quantity and price according to which they will be delivered to the buyer, delivery conditions and information about the sender and recipient.

The invoice is issued in two copies: the first copy is transferred to the company that purchases the products as a basis for its receipt; the second remains in stock and acts as the basis for writing off the sold products.

If the Agreement provides for a subscription, then the buyer is first billed, on the basis of which the products are paid. The invoice is formed by the seller for the buyer or customer according to the contract in two copies - one remains in the

household, the other is provided to the buyer. In accordance with such an invoice, which indicates the details of the entrepreneur-seller, the buyer pays. Verified by the signature of the head, chief accountant and sealed company.

In the case of delivery of products to the buyer by road, consignment notes are formed, which are clearly and properly executed with records containing signatures and the seal (stamp) of the recipient certifying the delivery of products (goods) to the destination. Consignment note (TN-1) is a primary document intended for writing off commodity and material values from the sender and capitalizing them from the consignee, conducting them in warehouse, operational and accounting, as well as for calculations for the transportation of goods and accounting for the performance of work.

An integral part of the TTN is the issued waybill of the truck (form No. 2-TN), to which the completed TTN form is attached. The consignment note is drawn up by the enterprise for each flight of the car and for each recipient separately in three copies:

- the first copy remains at the enterprise and is a justification for writing off inventory. The remaining signed and copies certified by seals (stamps) are transferred to the driver;

- the second copy, which the driver transfers to the consignee, for which he acts as the basis for the capitalization of the goods;

- the third copy, together with the travel sheet of the truck, remains with the driver and is the justification for accounting for transportation and calculating the driver's salary.

Business entities that produce and process agricultural products, based on the received TTN keep cumulative information in the data for each agricultural producer during the current month or period (usually 15 days). Properly executed documents are the basis for buyers (customers) to fulfill their obligations to make payments.

Buyers and customers are obliged to comply with the terms of contracts for making payments for the relevant contractual amounts within the prescribed period, but unforeseen circumstances may arise that prevent the timely fulfillment of obligations or their fulfillment at all. Such circumstances include: temporary or sustained financial insolvency; bankruptcy; force majeure (force majeure).

Due to untimely payment of buyers, doubtful debt arises, for the coverage of which the farm forms a reserve of doubtful debts. In the event of force majeure



(hostilities, fires, floods, etc.) during transportation, situations arise of partial or complete loss of goods, damage, destruction, etc. When accounting for settlements with buyers and customers should also indicate possible violations and discrepancies that arise during the delivery of products. In case of detection of violations and discrepancies in settlements with buyers and customers, the documents listed in Fig. 7 are used.

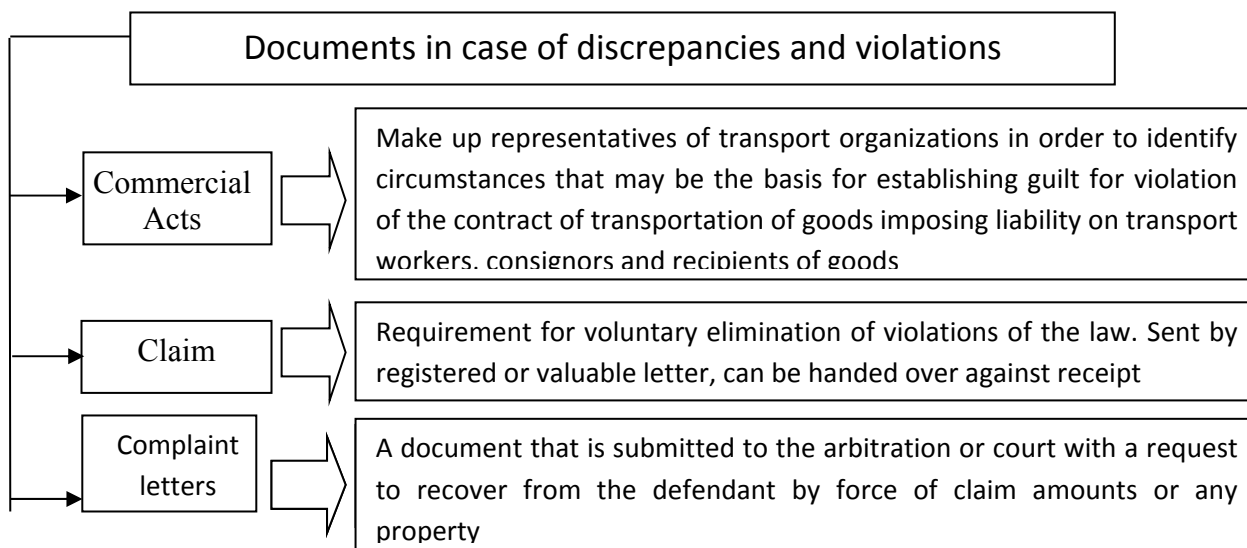


Fig. 7. Documents in case of discrepancies and violations

Enterprises reflect the implementation at the time of direct shipment of products or registration of acts of work (services) performed. And payment by buyers of their obligations is usually carried out after the fact of shipment of products or services.

Sending employees on a business trip is approved by the head of the enterprise with the execution of an order, which indicates: the destination, the name of the enterprise or organization where the employee is sent, the duration and purpose of the business trip, and the corresponding certificate is issued.

A business trip certificate is a document that is issued to an employee on the basis of an order or order of the manager to carry out official assignments outside the place of work. The company maintains special logs for the accounting of employees traveling on a business trip and employees arriving from a business trip. On the basis of the order of the head, accountable persons are given cash issued by East Kazakhstan region. A note on the amount of the prepayment issued is made on the business trip certificate.

After the trip within the prescribed time, employees submit an advance report

to the accounting department, and attach all supporting documents: acts of purchase or acts for writing off representative expenses in accordance with the established norms with the addition of appropriate checks, receipts, store accounts, railway and other travel tickets, cafe accounts, restaurants or for staying in hotels, etc. A mandatory element of the advance report is the approval by the signature of the head of the enterprise or the person authorized by him to approve this amount of expenses.

The lack of a document flow schedule has a negative impact on the process of organizing documentation of receivables accounting operations. Although most documents are filled automatically, which greatly simplifies their processing and assembly. Primary documents and accounting registers that have been processed, financial statements and balances must be transferred to the permanent archive of the enterprise. The duration of storage of documents is different.

Synthetic accounting of receivables of enterprises must meet the requirements of P (C) BO 10 "Receivables" [10]. And on the basis of the "Plan of accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations" [13], approved by order of the MFP of November 30, 1999 No. 291, enterprises develop a working chart of accounts.

Synthetic accounting of all current receivables is conducted on 36 accounts "Settlements with buyers and customers" and 37 accounts "Settlements with different debtors." In debit, 36 accounts show the realizable value of the services provided, including value added tax. In a loan - the amount of payments received to the account of the enterprise in bank institutions, to the cash desk or other types of payments. The account reflects the debts of buyers and customers for the services received.

For synthetic VAT accounting, the company uses subaccount 641 "Tax liability." To account for revenues, subaccount 701 "Income from the sale of finished products" is used. Funds for the services rendered are transferred to the settlement account of the enterprise in case of non-cash settlement or to the cashier in case of repayment of the debt in cash. The accounts 301 Cash and 311 Bank Accounts are used to map such transactions.

Account 37 is intended to keep records of current receivables with various debtors and advances issued, accrued income, claims, compensation for damage caused, loans of members of credit unions and other operations. Debit 37 of the account shows the occurrence of receivables, while the loan is the repayment or write-off of such debt. With regard to analytical accounting, it is maintained for each

customer in the context of types of debts, the timing of its occurrence and repayment.

An integral part of the synthetic accounting of current receivables is the accounting of reserves of doubtful debts. For this purpose, the Chart of Accounts provides for 38 accounts "Reserve of doubtful debts" and 944 accounts "Doubtful and bad debts." One way to gradually deduct bad debts is to calculate reserves of doubtful debts. Its formation is explained by the need for evaluation, which can be obtained from their sale or use. P (S) BO No. 10 "provides for three methods for calculating reserves of doubtful debts" [10], namely:

- the solvency of individual debtors;
- on the classification of receivables by its maturity;
- by the share of recognized bad debts from the sale of products to net income.

The amount of reserve for each debtor will be the total amount of reserves of doubtful debts of the economy.

Information on the amount of accrued provision for doubtful debts can be found in the report for the corresponding period on financial results in the item of other operating expenses. For the purposes of accounting for the reserve of doubtful debts in enterprises, account 38 is used, on the loan of which the formation of a reserve in correspondence with expense accounts is shown, and on debit - doubtful debts are written off. Analytical account accounting 38 is presented in terms of individual customers.

Analytical accounting of receivables is conducted for each debtor. With simple use of software, the accountant is able to do only synthetic accounting. The construction of analytical accounting as a whole should provide information about the debt, for which the due date has not yet come, as well as about the outstanding debt. To do this, the program maintains directories of analytical accounting objects (sub-accounts): for inventories, buyers (counterparties). Directories are filled in as transactions are entered. The program displays analytical data in quantitative (if any) and monetary terms. At the same time, a number of documents are formed that reflect the state of settlements with buyers and customers.

Information resources at the present stage have become an integral factor in the growth of the economic well-being of the enterprise. The use of reliable information has a significant positive effect - on its basis, effective accounting and analytical support is formed, which contributes to effective management.

Sources of information on receivables are primary documents, synthetic and

analytical accounting data, financial statements. Using information, you can get a lot of data about receivables: determine the structure of receivables; training conditions; the state of debt; reasons for formation and nature of debt repayment; provision of receivables.

The study of information systems of the enterprise showed that, on the one hand, some of the information is redundant, and on the other hand, the necessary information is not enough. Based on this, we can conclude that the issue of reliability and quality of accounting and analytical information remains relevant. In this regard, management needs to move away from the old system of "concentration on accounting" and think ahead, using audit, planning and analysis. Accounting must interact with management, and this approach also covers the receivable aspect.

In a market economy, accounting and analytical information must meet certain requirements, in particular:

1. information should be useful for a wide range of users - external and internal;
2. information must be flexible so that it can be used in decision-making;
3. modern accounting and analytical information should be not only informational, but also economic in nature;
4. information should be intended to provide predictions for the future.

First of all, to improve the quality of accounting and analytical information, it is necessary to eliminate the shortcomings in the organization of accounting for receivables, which were described in the second section of the work. You need to start with the initial link - the organization, because it is there that the foundations for building the "correct" accounting are laid, which will allow you to obtain reliable, high-quality information about receivables.

An important aspect in the formation of accounting and analytical information on receivables is its classification, evaluation and recognition, a scientific approach to its definition. There are many contradictions in this issue, since there is no single interpretation of the term "receivables," as well as a single classification. The practical development of a single classification and a single interpretation could contribute to a more appropriate formation and functioning of the accounting and analytical system. Also a significant step in improving the quality of information is the connection with international accounting standards. This concerns their use in national accounting, reducing contradictions between aspects of international and

national standards. This will help reduce discrepancies, bring accounting to a new "international level" and improve the existing "national" system.

A modern prospect for improving accounting and analytical information may be the introduction of a new form of reporting at the enterprise - integrated. Since traditional financial reporting often does not reflect the real value of modern enterprises and does not give a holistic view of their activities, reflecting only certain aspects, there is an urgent need for the emergence and formation of new integrated reporting.

The purpose of integrated reporting is "to provide information that allows interested users to assess an enterprise's ability to generate future economic benefits over a specified period of time" [1]. It is focused on the strategic course and prospects for the future. Integrated reporting is mainly used for management needs. At the present stage, integrated reporting is not used or little used in the domestic "accounting space"; there is no clear form and structure. However, the introduction of this form of reporting has its advantages:

- reporting data better meet the needs of investors;
- information providers have access to more accurate non-financial data;
- a higher level of trust in relations with key stakeholders;
- Better resource allocation solutions, including cost reduction.

Settlements with buyers and customers are the most important direction of accounting work, since at this stage the main share of income and cash receipts of enterprises is formed. And calculation is one of the most massive phenomena in the economic life of any enterprise. Carrying out an uninterrupted production process, each enterprise, on the one hand, buys raw materials, fuel, containers, goods, and on the other - sells finished products. Untimely settlements create mutual debt between the manufacturer and consumers of products, lead to untimely payment of wages in cash, which causes dissatisfaction of employees and worsens the social situation.

An important condition for the successful functioning of production and economic ties between agricultural enterprises and the service sector is the rational use of the cashless payment system. The threat of a non-payment crisis requires an increase in the accounting discipline of business entities.

The primary document for settlements with buyers and customers is a contract, which in modern conditions is an important object of control and regulation of accounting activities of enterprises. We believe that when concluding a contract,

special attention should be paid to its essential conditions. The main features of the materiality of the contract as an object of accounting supervision are its subject matter, price, form of payment and sanctions in case of unlawful behavior or violation of the terms of the contract. The essential terms of the business contract reflect the interests of its parties and can be general and personal. Thus, the contract price expresses the general interest of the subjects of contractual relations.

Therefore, essential conditions are "a list of individual features of an economic contract that express the interests of its compilers and the totality of which is able to ensure the transition from possibility to reality" [3]. Recognition of an economic contract as an object of accounting requires the development of ways of its reflection in the accounting system.

It is advisable to use registrars of settlements with each buyer or customer separately, which will allow for more informative and transparent accounting and the ability to quickly monitor the status of settlements with buyers and customers.

The lack of current systematic accounting of claims makes it difficult to control the correctness of settlements with buyers and customers, leads to the omission of the bank's deadlines for partial or complete refusal to pay due to non-compliance with the terms of supply contracts and the occurrence of other violations of contractual discipline. To eliminate these shortcomings, you can use the card of operational accounting of settlements with buyers and customers. Entries in this card should be regularly made by the chief accountant who keeps records of banking operations. The basis for display in the card are settlement, payment and bank documents. Maintaining an operational accounting card requires insignificant additional labor costs of accounting employees, but it becomes possible to increase the control functions of accounting and improve the state of calculations, prevent fines for violation of accounting discipline.

Also, one of the disadvantages of the organization of calculations is not the efficiency of the formation of the reserve of doubtful debts, despite the fact that P (S) BO 10 "Receivables" provides for the reflection in the balance of receivables for goods, services or works "at net realizable value, which is calculated as the difference between the initial indicator of the value of the receivables and the amount of the reserve of doubtful debts" [10].

The most expedient, in our opinion, is still the formation of a reserve on the basis of the solvency of individual debtors, which involves analyzing the solvency for

previous years of each of the counterparties. In this case, the amount of the provision of doubtful debts is calculated by the percentage of bad debts to the paid receivables by each counterparty and the corresponding amount of receivables for this period.

However, we note that in this method there are some controversial aspects. We mean the calculation of the coefficient of doubt, based on the determination of the solvency of individual debtors. With an increase in the volume of doubtful receivables and, accordingly, the total number of debtors, calculations by this method are quite laborious, and the qualitative determination of the solvency of debtors, taking into account the specificity of the enterprise, is subjective and complex. But in the conditions of the present and military-political uncertainty, one should not expect disciplined payments by debtors and the absence of receivables as such. Therefore, in any case, control over this aspect will require more time and effort on the part of both accountants and managers of the economy.

Any link in the activities of the enterprise must have a well-established mechanism for its effective functioning. This is especially true of accounting, because with its help the company carries out daily monitoring of funds and sources, determines the results of activities, makes managerial decisions. The functioning of accounting is impossible without high-quality accounting and analytical support.

Accounts receivable is an important part of the economy, so ensuring rational and effective accounting and cash flow is important. We consider it expedient to note that its sharp increase may adversely affect the cash flows of the economy and its solvency - this emphasizes the feasibility of analyzing this area.

Accounting and analytical support in the broadest sense is a control subsystem that performs appropriate functions and communicates with each other through information flows. The main tasks of accounting and analytical support are:

- formation of an array of primary accounting information: detection, measurement;
- registration and accumulation of economic information; generalization of primary accounting information and formation of primary data;
- analytical processing of data.

Analysis of receivables, its composition and structure has the following objectives:

- analysis of the share of a certain type of receivables in the total assets of the enterprise;

- studying the composition of debt, identifying existing types in the enterprise;
- assessment of the validity of the amount of receivables;
- correct processing of receivables;
- calculation of liquidity indicators;
- determination of the impact of receivables on the financial results of the enterprise.

In today's conditions, competition is an important element of the economy, therefore, in order to sell more goods and services, enterprises use "consistent payment." This, in turn, creates debt and the risk of non-payment. Since accounts receivable are a significant part of working capital, it should be the subject of analysis and research. Particular attention should be paid to the study of the dynamics, structure, composition and causes of occurrence.

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## **SECTION 4. DEVELOPMENT OF CONTROL AND AUDITING ACTIVITIES**

### **4.1. NEW APPROACHES TO INTERNAL CONTROL AND THE CHANGING ROLE OF INTERNAL AUDIT (FOREIGN EXPERIENCE)**

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**Summary.** This paper explores change, using sociological perspectives on risk and its conceptualisation to frame the debate about internal control and risk management within corporate governance arena - the most recent manifestation of an ongoing competition for the control of economic and social resources. The paper demonstrates that developments in corporate governance reporting requirements offer opportunities for the appropriation of risk and its management by groups wishing to advance their own interests. This is illustrated by a review of recent changes in internal audit.

The five ministries including finance issued “enterprise internal control the supporting guidelines” in April 2010, and pointed out that the construction of internal control is an important foundation for the development of enterprises. The COSO committee published a new framework in 2013; it redefined internal control and guided the behavior of enterprises more effectively. In August 2013, the China Institute of Internal Audit promulgated the new internal audit standards, which fits into the international practice and improves the applicability and operability of the guidelines. In recent years, Chinese enterprises have quickly established internal control system and internal audit institution under the guidance and requirement of the law, which has attracted the scholars’ extensive research.

In regard to the relationship between internal control and internal audit, some scholars think internal control and internal audit fall into a vicious cycle of mutual inhibition. For example, internal auditing is the supervision of internal control and act as the role of “police” in the corporate governance, so some things inevitably cause internal control department’s dissatisfactions and even conflict, which isn’t

conducive to the development of the enterprise [1] . Internal audit can effectively monitor the operation of the internal control especially fraud, which lets the internal control and internal audit at opposite ends [2] . Internal audit is the confirmer of internal control, supervises evaluates as well as proposes amendments. In traditionally, internal audit is considered to be a trouble maker and excluded by other departments even trigger conflict [3] . A scholar regards the internal audit as a game that between internal auditors and other departments and a bit inadvertent could put it into a “besieged” situation [4] . In the development of China’s enterprises, enterprise managers while enhanced the importance of internal control and internal audit, but didn’t pay attention on the integration of the two aspects, usually would both divide and rule [5] .

And other scholars suggest that integration of internal control and internal audit can create value for enterprises. For instance, the relationship between internal control and internal audit is interdependent and you are in me and I have you [6] . Internal audit and internal control is closely related, internal audit tests the effectiveness of internal control and puts forward the corresponding amendments to improve the internal control to create value for the company [7] . There is a mutual promotion of internal audit, internal control reform can bring the change of internal audit and internal audit effectiveness inspection of internal control, finally the two work together to protect the enterprise healthy and rapid operation [8] . An effective internal audit system to help company cope with risks, in turn, a strong internal control can provide support for the internal audit work, which was verified by data [9] . Two scholars used data found that the head of the internal audit professional ability can significantly improve the quality of internal control [10] . Scientific and standardized internal audit procedures, perfect internal audit methods can have a significant role in promoting the effectiveness of internal control [11] .

The above shows the development of internal control and internal audit in the theoretical circle, some persons are in favor of conflict relationship and others propose integration relationship. So what’s the relationship between the two in practice field? I believe that one thousand companies will have one thousand different answers. In this paper, CIMC as an example, in-depth researched that in practice field the relationship between internal control and internal audit is inhibition or fusion, and enrich the academic research of internal control and internal audit. The current emphasis on the notion of risk is central to a social contest over the control of

the economy and society. Fukuyama's thesis that history has ended with the triumph of liberal democracy and free(ish) markets over alternative economic and political systems has been widely discussed. On the contrary, we suggest that the contest for the control of economic and social resources is continuously evolving and that the corporate governance movement is but its latest manifestation. Fifty years ago and less, contention for the control of resources was framed in terms of the ownership of the means of production, particularly whether resources should be owned by the state or be in private ownership. In, extension of state ownership ceased to be a serious political force towards and was completely eclipsed during the long premiership. As the extent of social ownership receded during with successive privatisations, the contest for resources shifted from ownership to control. Largely the contest was between the state and the management of corporations. One direction in which it was forecast that the contest would develop was in the arena of regulation. The USA was seen as the bellwether for future developments and some commentators foresaw an ever increasing tide of regulations and legal restrictions which would eventually drown out the possibility of entrepreneurial behaviour.

This prediction has remained generally unfulfilled and a key platform used by corporations to resist such developments has been a series of arrangements described in various formats as self-regulation. The success of the self-regulation model is that it serves the interests of the agents of the state, the groups being regulated and the institutional representatives of those groups. The impetus for regulation is frequently some kind of scandal or cause celebre which produces public pressure for some mechanism to prevent future occurrences. A self-regulation solution suits all parties the industry group avoids state regulation (which is seen as inflexible and difficult to influence), the agents of the state avoid taking responsibility for a function which they know will be the subject of future scandals which would then be unavoidably their responsibility, and institutional representatives gain control, power, resources and prestige.

The reluctance of the state to intervene has, however, meant that stakeholders and interest groups who would, in earlier times, have lobbied the state for control of resources have instead sought to participate in the self-regulatory process. Corporate governance has become the arena in which this now multilateral competition takes place:

Corporate governance reflects the power relations and political settlements

between shareholders, creditors, management and labour as they are embodied in a particular institutional history.

For reasons which we discuss below, the concept of ``risk'' has become central to corporate governance and has become linked to the idea of internal control. In the process, the meaning of both terms has shifted. The shift is symptomatic of important changes in the way corporations govern themselves.

Risk-taking is fundamental to business activity. Limited liability reduces the risk of investing in corporate organisations but the consequent separation of ownership from control carries the risk to investors that company directors will diminish the resources entrusted to them, rather than increase shareholder wealth. Limited liability also reduces the security enjoyed by lenders and provides incentives for increased risk taking on behalf of shareholders. These risks are managed within the corporate governance framework through accountability mechanisms, such as financial reporting, internal control and audit.

The nineteenth century expansion of the incorporated structure of business enterprise was facilitated by the development of this framework, but concern about its adequacy to meet the needs of the current economic environment followed the financial scandals and led to the establishment of the Combined Code on corporate governance[1]. Internal control has been central to this process.

The final component of the Combined Code was the guidance for directors reporting on internal control issued by the Turnbull committee. These requirements extend beyond the purely financial to embrace the broad range of risks experienced by companies and internal control is now explicitly linked to risk management. This represents a change in the relationship between risk and accountability: recent developments in audit have appropriated risk management as an accountability process. This paper explores the potential impact of this linkage on those traditionally most concerned with internal control systems internal auditors.

The paper is organised as follows: the first section discusses conceptual approaches to risk, the second section examines the conceptualisation of internal control and risk management in the context corporate governance debate, the third section illustrates the potential impact of this conceptualisation on the role of internal audit and the final section draws together the central arguments and suggests further areas for research.

This section reviews the changing notions of risk and relates them to current

approaches to risk management as a prelude to discussion of changes in the nature of internal control.

The historical progression of the notion of risk and its management can be traced back to the pre-modern era when risk related to natural events which were beyond human agency. Risk management, as currently understood, was largely absent. The seventeenth century development of rationalism suggested that both the natural and social worlds could be subjected to scientific exploration: once techniques for the prediction and calculation of risk became available, it could also be avoided and compensated for. Risk became associated with unanticipated outcomes of human action, rather than simply the result of fate or «acts of God». Subsequent advances in science and technology, while offering protection against some risks, have also created new ones, giving rise to demands for effective risk management processes to deal with an increasingly complex «risk calculus» at individual, organisational and societal levels.

Douglas argued that blame is central to the structure of societies and organizations, which is reinforced by methods of placing blame and accountability. In pre-modern society, misfortune was attributed in three ways:

- moralistic (based on ideas of sin and followed by expiatory action of some kind);
- the work of individual adversaries (followed by vengeance and/or compensation);
- the work of an enemy group external to the community (followed by communal punishment and/or compensation).

Douglas asserted that these three types of blaming influence the system of justice that develops within a community, working to bind it together. The development of technology has led to a belief that the «real risks and the real» culprits may now be identified:

Somehow, it was thought that science had really made the things different for us thanks to our accurate knowledge of the world and our powerful technology, our blaming behaviour went direct to real causes instead of being deflected to the constitution-supporting function it performed elsewhere.

Although the link between morals and risk has apparently disappeared as risk analysis has become professionalised, modern society and organizations still «use» risk in the same way as pre-modern societies did:

- Just as transgression became the salient point of reference for blaming for disaster in the Bible, and sin in the history of Christianity, in our secular, scientific world, risk has become the convenient, conspicuous blame term that all parties connive to promote.

Similarly Hood et al noted that avoidance of blame and liability was a fundamental imperative influencing the structure and processes of the risk regulation regimes they investigated and that the "blame prevention re-engineering" was a theme that linked business risk management in both the private and public sectors.

Like Giddens [2], observed that, drawn out of smaller local groups into a globalized community, individuals feel vulnerable: the notion of being able to manage risk provides some comfort.

Alongside the changed conception of risk as manageable, new forms of accountability become necessary. As risks become measurable and quantifiable, avoidance and protection strategies are possible. The accountability mechanisms of blame-placing, associated with communal systems of morality and justice, are replaced by financial and other forms of compensation. As techniques of risk management become more sophisticated, accountability mechanisms may also be managed in a way that blurs responsibility. Beck observed that: risk societies are characterized by the paradox of more and more environmental degradation, perceived and possible, and an expansion of environmental law and regulation. Yet at the same time no individual or institution seems to be held specifically accountable for anything.

Like Douglas, Beck observed that scientific advance meant that external agencies could no longer be blamed for risk. He argued that, once risks became calculable, risk management became institutionalized, citing the welfare state as an example:

The welfare state can be seen as a collective and institutional response to the nature of localized risks and dangers, based on principles of rule-governed attribution of fault and blame, legally implemented compensation, actuarial insurance principles and collectively shared responsibility.

However, Beck's concept of the «risk society» is characterized by a breaking down of such systems in the face of the «manufactured uncertainty» that arises from technological advance, leaving a state of «organized irresponsibility». From Beck's perspective, techniques and processes of risk management reduce accountability by

masking responsibility, yet, within the debate about corporate governance, risk management has been presented as part of a strategy for meeting demands for accountability. Once there is a public expectation that risk should be manageable, then accountability for risk requires some demonstration that risks are being managed both ex-ante and post-hoc the materialisation of those risks in the form of adverse events.

However, the adverse consequences of risk are likely to result from a complex chain of events and circumstances. Blame-placing in this context becomes problematic: it is easier to blame the system or process than any individual, although scapegoats may be needed. Thus the process of managing risk within companies may provide comfort and diffuse responsibility, conferring immunity from blame for the adverse consequences of risk, rather than immunity from the consequences themselves [3]. Immunity is increased by the systems which organizations introduce for the management of risks which materialize. Not only are risk responses that address the consequences of the risk planned in advance, but so are public relations responses. Committees of inquiry are set up to determine the cause of the adverse event and the people adversely affected are reassured that it will never happen again [4]. Inquiries serve the purpose of deflecting, or at least postponing, blame, whether or not they also determine causes and reduce the risk of future similar events.

Cultural theory offers one example of a constructionist approach, drawing on the work of Mary Douglas mentioned above. Cultural theorists such as Rayner have argued that the conventional (technico-scientific) conceptualisation of risk and its management is essentially reactive: risk perception is a response to an external stimulus and is communicated, often in the form of quantitative information, and generates processes of risk management, which are directive and procedurally based. Cultural theory offers a different approach, proposing that risk perception is an active process, since societies and organisations select risks for attention.

Within cultural approaches it is possible to distinguish several kinds of risk regulation regime. Hood et al use Douglas' grid-group model to label four modal types as «fatalist», «hierarchist», «individualist» and «egalitarian». The fatalist mode corresponds most nearly to a pre-modern approach in which adverse events are «bad luck» and responses are ad hoc. Such modes can still be discerned in responses to adventure tourism and natural disasters, especially outside the developed world. The hierarchist mode is closely related to the technico-scientific approach and emphasises



expert forecasting and management. The Royal Society approach is an example. The individualist mode emphasises individual choice and market processes whereas the egalitarian mode emphasises community decision making and a «Rawlsian» model of justice in which protecting the worst off is a priority. In practice, specific regimes will exhibit characteristics drawn from one or more modes. In the context corporate governance debate, the technico-scientific approach forms the basis of a rhetoric that links the processes of risk management to good governance. Yet within organisations because of the way different risks are subject to different, and hitherto unintegrated, regimes, there is likely to be no consensus about the meaning of risk and the appropriate ways to manage it. We suggest that it is precisely because risk is a vaguely defined and mutable concept that it has become part of the corporate governance arena. The debate is conducted in a way which fails to specify either the nature of the risks or on whom they are expected to have an impact. Despite this, corporate governance risk management rhetoric assumes that risks can be objectively identified, quantified and thus strategically managed.

Thus expertise in risk management techniques becomes a source of power which may enable interest groups to secure positions of influence within organisations, by appropriating and redefining the concept of risk and its management to suit their own purposes, a constructionist perspective. An illustration is the changing role of internal audit: the next section provides a context for an examination of this by outlining the development of corporate governance policy, with particular reference to the role of internal control and its association with risk management and how the concept of risk, as it has evolved, became a solution to a particularly knotty corporate governance problem.

This section discusses the difficulty of defining internal control, traces its role in the development corporate governance policy and identifies those groups who benefit from the redefinition of internal control as risk management. Since the problem of reporting on internal control has proved so intractable, we set out in some detail the course of official deliberations and the emergence of risk management as a key concept.

Corporate governance concerns have centred on financial aspects, seeking improved financial controls and financial reporting quality to strengthen the accountability of boards to shareholders. Risk in a financial context is generally understood to be the potential for financial loss consequent on fraud and

incompetence. Although it is widely recognized that such risk can never be entirely eliminated [5], it is generally believed that a system of internal control will act as a deterrent to fraud and a protection against incompetence[6].

We identify two factors which precipitated this change: growth of information technology; and changes in audit methods. The technological change began when maintenance of records on databases that were updated in real time became widespread. The emergence of the large relational database and the reduction in the cost of software for accessing and manipulating databases meant that system amendments were frequent and that traditional processing controls, such as batch totals, became obsolete. Computer systems are now largely customised versions of standard software constructed by consultants from outside the organisation. Within an organisation, documentation of such systems is usually incomplete and nobody knows in detail how they really work.

At the same time, with the waning of governments' appetite for intervention, external auditors were in an unusually weak position. They were under pressure to reduce fees and to make themselves more «relevant» to the management of their clients and the business risk approach to the external audit was conceived. Another sign of auditors' weakness was the rampant use of creative (now «aggressive») accounting by their clients which they seemed powerless to stop. The auditors responded to the pressure to reduce costs and increase reliance by developing «business risk» approaches to auditing in which documentation of systems and detailed testing was drastically reduced.

Both changes in technology and auditing encouraged a devolution of control downwards in organisations, and rigidly enforced compliance with policies and procedures was replaced by the rhetoric of risk in which the upper levels of the organisation focus on the risks which are perceived to be important.

Governments were taking a laissez-faire attitude to regulation. The response of the professions and concerned stakeholders, seeing that the lobbying of government was now wasted effort, was to open up a debate on the way corporations are run; to clear a space for what was to become the corporate governance arena.

It contained an analysis of features of internal control and a framework for its establishment and evaluation. The report defined internal control as:

A process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of

objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

The incorporation of «effectiveness» was the first radical change to the idea of internal control in over four decades. By admitting «effectiveness» - the extent of achievement of objectives - into the ambit of internal control, the statement recognises for the first time the existence of business objectives other than efficiency and probity and goes some way to aligning the definition with business risk approaches to audit.

This reflects a much broader approach to control and risk, directly related to the achievement of organizational objectives. Explored the difficulty of defining internal control and discussed the implications of this lack of clarity for the development of corporate governance policy and European financial auditing markets. He identified three varying perspectives on internal control in the academic literature - those of external audit, organization theory and economics -and, noting that research in this area is fragmented and under- developed, argued that the role of internal control in corporate governance is unclear, leading to policy recommendations based on unproven assumptions. One such assumption is that internal control reporting contributes to improved corporate governance. Analysis demand for reporting on internal control demonstrated that doubts about this remain unresolved. No equivalent research has been undertaken to date, where the following examination of the development of corporate governance policy further illustrates the problem of internal control definition.

The increasing importance of internal control context can be traced through the development of the Combined Code to its present form.

To facilitate this, the accountancy profession was recommended to develop criteria for assessing effectiveness, together with guidance for companies on the form of such reports and guidance for auditors on procedures and the form of reports. As Power has noted, this section of the Code was seen as controversial: directors and auditors were reluctant to make such statements when internal control effectiveness remained a nebulous concept.

The requirement to report on internal control has all the hallmarks of a hostage to fortune - an item included by the Cadbury Committee without realising what

difficulties it would cause. It seems plausible that the accountants involved with Cadbury trained at a time when auditing was based on the systems approach and auditors were at pains to record and evaluate internal control systems. Audit risk approaches were well advanced and external auditors did not understand, record or evaluate large areas of clients' systems. In this world, it is probably the internal auditors who know or understand best what a company's internal control system is (even if they do not understand aspects of the computer systems). This may be an important uncontested jurisdiction from which internal audit can advance within an organisation.

The Rutteman working party was set up to address this Code requirement and reported.

Content report on internal control:

- a) acknowledgement by the directors that they are responsible for the company's system of internal financial control;
- b) explanation that such a system can provide only reasonable and not absolute assurance against material misstatement or loss;
- c) description of the key procedures that the directors have established and which are designed to provide effective internal financial control; and
- d) confirmation the directors (or a board committee) have reviewed the effectiveness of the system of financial control.

Directors may also wish to state their opinion on the effectiveness of their system of internal financial control.

The Cadbury prescription that directors should report on internal control effectiveness was replaced by the suggestion that they may wish to do so. Chambers surveyed the response to Rutteman, suggesting that this weakening of the Cadbury recommendations was the result of lobbying by finance directors who feared litigation.

The Cadbury Committee had recommended that a successor body should revisit the issues covered and this task was given to the Hampel committee, established and finally reporting. In the intervening period, the major governance preoccupation had been directors' remuneration, shifting the focus away from financial reporting issues. The Hampel report adopted a very different tone to that of Cadbury and began unequivocally:

The importance of corporate governance lies in its contribution both to

business prosperity and to accountability. In the latter has preoccupied much public debate over the past evaluate large areas of clients' systems. In this world, it is probably the internal auditors who know or understand best what a company's internal control system is (even if they do not understand aspects of the computer systems). This may be an important uncontested jurisdiction from which internal audit can advance within an organisation.

The Rutteman working party was set up to address this Code requirement and reported. Rutteman used the COSO definition of internal control but emphasised that the Cadbury Code related to financial aspects of corporate governance and thus internal financial control. This was defined as:

The internal controls established in order to provide reasonable assurance of: a) the safeguarding of assets against unauthorised use or disposition; and b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

Sidestepping issues of «effectiveness», this placed the emphasis for internal control reporting very firmly on the second of the objectives identified by COSO, although Chambers commented that the safeguarding of assets would have implications relating to both operational and compliance issues and thus automatically extended the scope of consideration.

Section 8 of the Rutteman Report prescribed the minimum content of the directors' report on internal control:

e) acknowledgement by the directors that they are responsible for the company's system of internal financial control;

f) explanation that such a system can provide only reasonable and not absolute assurance against material misstatement or loss;

g) description of the key procedures that the directors have established and which are designed to provide effective internal financial control; and

h) confirmation the directors (or a board committee) have reviewed the effectiveness of the system of financial control.

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The COSO framework identified risk assessment as one of the five components of internal control, whereas Turnbull stated that: A company's system of internal control has a key role in the management of risks that are significant to the fulfilment of its business objectives.

The focus on risk management, which comes with a panoply of techniques for risk identification and assessment, not only avoids the difficulty of defining internal control ± it also links neatly to the shift in the corporate governance debate from a focus on financial reporting quality to a concern that corporate governance mechanisms should not impede enterprise [8]. The Hampel report argued that the regulation of the downside of risk through internal control was achieved at the expense of the recognition of the positive view of risk which underpins enterprise. The redefinition of internal control as risk management emphasizes links to strategy formulation and characterizes internal control as a support for enterprise. It also glosses over the uncomfortable truth that nobody now knows exactly what the internal control system is.

Who benefits from the conceptualisation of internal control as risk management?

In complying with Turnbull, directors can rely on assessing the effectiveness of risk management systems rather than having to grapple with the more nebulous meaning of «a sound system of internal control». External auditors have already identified the advantages of marketing their audit services as integrated with corporate strategy through a risk focus, thus adding value; specialised risk management consultants offer advice on Turnbull implementation.

Boards are urged to recognise the potential contribution of internal audit in taking the lead as pre-eminent advisers:

Other assurance functions are not usually positioned in the organisation and

reporting structure with the same overview and degree of independence as internal audit .

Turnbull has extended the requirements for directors to report on internal control beyond the purely financial to embrace the broad range of risks experienced by companies. Since all such risks have a potential financial implication, this is logical. It does not imply that the consequences of business, operational or compliance risks have previously been neglected or ignored. They have, however, been seen as the province of different departments within companies. To comply with Turnbull in a cost-effective way, we may expect that companies will now seek to combine areas of risk assessment and risk management currently dispersed. This, in turn, implies a jockeying for position among those involved. Power has suggested that the «internal regulatory space» provides an arena within which internal corporate interests will also compete. Some companies with an established internal audit function have already expanded this to include specialists such as engineers and marketers to give a broader operational perspective on risk. In the next section we explore in more detail the potential impact of the redefinition of internal control as risk management on internal auditors.

In this section we trace the development of internal audit and compare the rhetoric of the associations seeking to professionalise the activity with the changes which are occurring in the work of internal auditors as a result of external pressures and the opportunity to expand their remit which the redefinition of internal control affords.

Historically, internal audit has been viewed as a monitoring function, the «organizational policeman and watchdog», tolerated as a necessary component of organizational control but deemed subservient to the achievement of major corporate objectives. An examination of the pressures on internal audit in recent years reveals the struggle to demonstrate that the function can add value.

The response of the internal audit community has been to emphasise professionalism and the potential of internal audit to add value.

Kalbers and Fogarty observed that discussions about professionalism have exercised internal auditors for many years. Morgan identified the aspiration of internal auditors to move from «controller» to «controller-adviser» as part of the process of professionalisation of internal audit, noting that this shift «can only be successfully achieved at the cost of surrendering certain elements of the

controllershship role, and some of the claims to formal authority which go along with it». He observed that internal auditors found it problematic to relinquish such claims, and cited difficulties encountered when internal auditors, having attempted to establish a co-operative relationship with auditees, were obliged to resort to formal authority to obtain access to information or to deal with problems revealed by audit.

Although this new interest in the potential of internal audit to contribute positively to corporate objectives offers an opportunity for a stronger claim to professional status, difficulties remain. Pentland , seeking to establish the boundaries of audit, observed that auditors are experts in process rather than content: in areas such as environmental audit, specialists from other disciplines offer strong competition to the expert status of the traditional internal auditor. Similar challenges are encountered in the area of risk management and may be rebutted by the assertion that internal audit has the advantage of independence but the tension remains between the consultancy role of internal audit and claims of independent status.

Fogarty and Kalbers explored a range of dimensions of professionalisation in internal audit, identifying independence, autonomy and self-regulation as key attributes, but cautioning that: organisations should also be aware that internal auditing inherently involves role conflict. Efforts to eliminate role conflict may deny internal auditors the very essence of their roles in the organisations.

Claims for professional status both support and are supported by the identification of areas in which professional expertise may be demonstrated. The financial scandals which provoked world-wide concern with corporate governance highlighted apparent failures of accountability [9]. Inevitably audit and internal control, mechanisms designed to secure accountability, became a focus for the debate about reform. Internal auditors, traditionally specialists in internal control but not highly regarded within organisations, have attracted the attention of boards grappling with external demands for assurance about corporate governance practice.

Thus Turnbull's broader approach to internal control has offered internal audit the opportunity to claim expertise in the crucial area of risk management. The power base of internal audit is firmly established: it is a key component of good corporate governance practice. But to what extent has the opportunity identified for extending this advantage been exploited by internal auditors?

There is a consensus that important changes are occurring in the nature of internal auditing. McNamee and McNamee characterised the history of internal



auditing since the second world war as one of a transformation from validation of transactions to one of systems auditing. They also detected a change in which internal auditors became «a primary agent for transformational change» in helping users of systems to «design test and monitor their own controls».

Power suggested that there has been a fundamental change in the nature of corporate governance from «regulation from above» to «regulation from the inside» and that the key to what he calls this «proactive compliance based style of regulation» is a «risk based future orientation». Risk management is integral to «the new self-governance of the organization». Despite Power's world view of an «audit society», it is likely that there is growing divergence of compliance cultures. In many risk oriented approaches compliance is downplayed. Where risks are regarded as minimal or susceptible to local management, procedures may not be documented and compliance not assessed: at the same time, innovative risk management solutions are actively sought which may not require procedural compliance. As previously noted, different risks are subject to widely different regimes and a compliance culture is only one kind of regime.

However, the extent to which such changes have permeated organisations is not yet known. Internal auditors are certainly exhorted in the professional literature to embrace the opportunity to contribute to the achievement of corporate objectives through risk management: for example, Deloitte and Touche Tohmatsu asserted.

The shift in the risk-control landscape creates both challenges and opportunities for internal auditors. Those that handle the challenge quickly and cost-effectively will be credited with helping their organisation meet its business goals. Those that don't will be left behind, stranded in a world where the attitude you are either part of the problem or part of the solution» separates the survivors from the casualties. There is still much work to be done and we hope that internal audit professionals will see beyond today and carve a vision worthy of tomorrow.

Other evidence demonstrates that internal auditors certainly aspire to this reframing of their role in terms of risk management: examples are offered by the new definition of internal auditing issued by the Institute of Internal Auditors, as well as commentary in recent articles. Chambers observed the increasing references to risk over the last five years in the strap lines of professional journals and newsletters relating to internal audit, as well as an increasing focus on risk in the titles of articles therein.

It is less clear that this ambition is being achieved. Research into organisations known for their leading edge risk management practices shows an alignment of risk management and internal audit practice, but the authors acknowledge that this is by no means universal and identify changes in culture and competencies required of other internal audit functions if they are to go in the same direction. The Selim and McNamee model is one in which risk assessment is followed by risk management and risk communication: however, their descriptive model of leading risk managers is one in which internal audit is derived from the strategic planning process rather than a process which contributes a great deal to it.

Survey research by Griffiths is more broadly representative of current practice. In a questionnaire study of fellow FTSE 200 finance directors he found widespread «lukewarm» or «negative» attitudes to internal audit and that the function was frequently seen as «too low key and basic (and therefore insufficiently business risk-oriented)» and that the function was lacking in skills and appropriately trained staff.

A survey of senior executives and senior internal auditors carried out by KPMG indicated that a higher percentage of internal auditors than senior executives expected internal audit to have a developing role in identifying and evaluating risk. Twice as many internal auditors as senior executives viewed risk management as the means by which internal audit added value (senior executives saw the internal audit role as principally to ensure internal control effectiveness, indicating that both groups saw these as distinct functions, unlike view represented in Turnbull). Internal auditors also had a stronger perception of their current ability to assist in risk management activity than senior executives did; but senior executives expressed a strong wish for this area to be developed.

The growth of concern for corporate governance has been of great benefit to the standing of internal auditors and has boosted their claims to professional status by emphasising the benefits of independence of judgement and objectivity in their reports. An occupation which was once confined to checking mundane compliance with systems devised by others has become elevated to professional status and with a line of reporting to the higher levels of the company.

This paper began by indicating the advantages of self-regulation for state and corporation alike, observing that stakeholders now compete to participate in the self-regulatory process, rather than for control of resources, and that corporate governance

policy is one arena for this contest. A focus on risk management has become central to this competition since it defines the accountability of the management of the organisation.

The corporate governance framework was designed to manage risk through, inter alia, the accountability mechanisms of financial reporting, audit and internal control. Mapping the development of the conceptualisation of risk against associated response and accountability mechanisms demonstrates that notions of risk are mutable and continue to evolve. The analysis offered by cultural theorists argues that the perception of appropriate regulation of risk will vary, according to the characteristics of specific risk regimes. This suggests that interest groups may seek power in organisations by asserting their own conceptions of risk and how it should be managed. In particular, modern conceptions of risks within organisations can lead to «blame avoidance». At the same time that risk management was becoming prominent in managerial concern, internal control was under examination, partly because of well-publicised corporate failures and partly as a result of moves towards professionalisation of the internal audit function. Rapid changes in information technology and managerial practices in many organisations were forcing moves away from rigid, documented control to situations where responsibility for control was being pushed down the organisation hierarchy and where oversight by management could not be achieved through traditional, compliance based internal audit.

The observation that, within corporate governance policy, risk management has become closely aligned with internal control suggests that the extent to which risks are managed has now been annexed as a form of accountability, rather than its focus - a yardstick against which a dimension of performance is measured. This redefinition offers a new view of risk management as part of the accountability process, implying a shift which blurs the distinction between responses to risk, through risk management systems, and accountability for risk, supporting Beck's thesis that, despite extended regulation, specific accountability is difficult to attribute to individuals or institutions; the possibility arises that risk management has been adopted as much for its potential for blame avoidance as for improved accountability. The paper has explored this through an analysis of the process of reinvention of internal control as risk management and an examination of the impact of this redefinition, as embodied in the Turnbull guidance, on internal audit. Internal

auditors have been exhorted, by those seeking to establish their professionalisation, to present themselves as risk management experts, basing this expertise on their familiarity with internal control processes, but the extent to which this aspiration has been achieved in practical terms is unclear and should form the focus of future research.

The debate on corporate governance and reporting on internal control illustrates the competition occurring in the arena. The reassertion of the importance of risk in the generation of shareholder value by the Hampel report may have been the high-water mark of the ideology. Two years of stock market decline and the recent debacles at Enron and Allied Irish Bank have left managements less anxious to draw shareholders' attention to the performance of their investments, and widespread failure to achieve corporate objectives provides a natural focus for business risk management. In the process, risk management has been transformed from a «technico-scientific» concept to a more loosely defined one which attempts to assemble a range of disparate regimes under a single umbrella. Nevertheless, the rhetoric of risk management has become a source of organisational power and opportunity.

Internal audit faces both threats and opportunities from the changing shape of organisational process. The threat is that the rate of change of systems and processes is too great for traditional, compliance based internal audit to work: the opportunity, greatly enhanced by Turnbull, is to occupy the organisation vacuum which the new risk management focus provides. It is apparent that there may exist some kind of «rhetoric gap» in which the standard bearers for internal audit are proclaiming a vision of what internal audit is changing into, whereas the practice in organisations may be substantially different. If this is so, there is a potential for significant adjustment costs as businesses are forced to implement the Turnbull report from an inadequately prepared internal audit and control environment. Empirical research into the impact of Turnbull on boards, audit committees, internal and external audit and other business areas managing risk, such as health and safety and environmental management, is needed to describe and explain the changes which are taking place in the governance of organisations. Internal auditors can usefully be a focus for some of this research because they are potentially important stakeholders and actors in the risk management process and because their functions spread across organisational boundaries in an unrivalled manner.

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## 4.2. PECULIARITIES OF INTERNAL AUDIT IN TERMS OF ITS SUBTYPES

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**Summary.** The article presents the features of innovative audit of the economic activity of enterprises. Electronic audit is a modern way of verifying the

economic activity of an enterprise. The article takes into account modern changes in the legislation regarding the audit. Innovative audit of taxes and reporting - is an independent qualified audit of tax accounting using modern software products. It's the main goal consists in a detailed analysis of tax accounting, disclosure of the features of tax calculation and payment, calculation of the correctness of amounts due to be paid to the budget. The necessary step-by-step instructions for further optimization of taxes and their display in the company's reporting are also presented. Given the wide range of problems related to correct accounting, including tax accounting, as well as the preparation and submission of reports, we emphasize that a timely and qualified audit is an main component of optimal business activity without violations of current legislation. An overview of the information is presented, which concerns changes specifically for the beginning of 2023. These changes include the need to introduce auditing of electronic products on the basis of the "E-audit" platform developed by the state in the production and economic activity of electronic products. The presented platform includes the necessity of mandatory submission of SAF-T UA for all large taxpayers. This program provides for the export of reporting data on the economic activity of the enterprise on a specific date. The use of SAF-T UA makes it possible to significantly facilitate, speed up and optimize the work of checking the company's activities. The main advantage is the verification before submitting the report to the state authorities. This article clearly reveals the features of the implementation of an innovative audit of economic activity through the electronic program "E-audit" developed by the state. The implementation of such developments in the production process of the enterprise will facilitate the work by obtaining such components of activity as speed, mobility, relevance, transparency, the possibility of performing a preliminary check before submitting reports.

**Key words:** economic activity, innovative audit tax audit, internal audit, independent audit.

The issue of auditing economic activity, taxation and reporting is a topical topic for many scientists, practitioners and other researchers. In the process of working on the selected topic, a set of regulatory and legal acts related to conducting financial activities, as well as the work of such scientists as V.V. Fesenko, O.M. Vakulchyk, A.V. Boyko, V.A. Vorontsova, were studied. Tyshchenko A.O. We note that the works of these authors vividly reveal the specifics of conducting an audit

based on modern legal requirements. We note that the above-mentioned authors in their works reveal the elements of financial and economic activity in the context of tax accounting, as well as the preparation and submission of reports to state authorities. However, the chosen topic is quite broad, because today there are many electronic products for its detailed disclosure, so we consider it quite relevant, which requires further consideration and analysis.

Audit of financial statements - an audit service for checking accounting data and indicators of financial statements and/or consolidated financial statements of a legal entity or a representative office of a foreign business entity, or another entity that submits financial statements and consolidated financial statements of the group, for the purpose of expressing the auditor's independent opinion on its compliance in all essential aspects with the requirements of national accounting regulations (standards), international financial reporting standards or other requirements.

An auditor is a natural person who has confirmed his qualifications for conducting audit activities, has relevant practical experience and is registered in the Register of Auditors and Subjects of Audit Activity.

Audit activity - independent professional activity of auditors and subjects of audit activity, registered in the Register of auditors and subjects of audit activity, for the provision of audit services.

Audit network - a structure for ensuring cooperation, which includes audit firms and/or auditors, other legal entities whose activities are aimed at obtaining profit or sharing costs, or which have common ownership, are under common control or management, have common policies and procedures of quality control, a common business strategy, provides services under the same mark for goods and services, or shares professional resources. An audit firm is a legal entity that conducts audit activities on the grounds and in the manner prescribed by this Law and international audit standards, and may also provide non-audit services.

Audit report - a document prepared by the subject of audit activity in accordance with international auditing standards and the requirements of this Law based on the results of the audit of financial statements (consolidated financial statements, combined financial statements).

Audit services - audit, review of financial statements, consolidated financial statements, performance of other assurance tasks and other professional services provided by entities of audit activity in accordance with international auditing

standards, auditing standards of Great Britain or the United States of America, and taking into account the requirements of this Law".

Internal control of the quality of performance of the task - assessment of the work of the auditor or key audit partner, documented in the auditor's working documents, for the purpose of confirming the validity of the conclusions contained in the draft audit report or other reports.

A good reputation of an audit firm is a reputation for which the audit firm has not been charged in the form of a warning or suspension of the right to provide services for the mandatory audit of financial statements three or more times within 24 calendar months. The electronic office is an information and communication system of the Body of Public Supervision of Auditing Activities, which provides an electronic form of interaction between the Body of Public Supervision of Auditing Activities and auditors, subjects of auditing activities, other physical and legal persons in matters of the exercise of their rights and obligations, defined by this Law.

Another mandatory task is the task of reviewing interim financial statements (interim consolidated financial statements) or the task of providing other audit services, the provision of which is required in accordance with the legislation adopted and performed by the subject of audit activity in accordance with the requirements of the law, other regulatory legal acts and international audit standards, based on the results of which the legislation requires publication and/or submission of the report of the subject of audit activity to the National Bank of Ukraine, the National Commission for Securities and the Stock Market, state authorities or local self-government bodies."

Mandatory audit of financial statements - a task to provide reasonable assurance that is accepted and performed by the subject of audit activity in accordance with the requirements of this Law and international auditing standards by checking financial statements or consolidated financial statements with the aim of expressing an independent opinion of the auditor about its compliance in all essential aspects and compliance with the requirements of international financial reporting standards or national accounting provisions (standards) and laws of Ukraine.

The customer is a legal entity or an individual who, according to the law, is obliged or has the right to order audit services.

A key audit partner is an auditor who:

- appointed by the auditing firm to be responsible for conducting the audit of



financial statements on behalf of the auditing firm, in the case of a group audit - the auditor appointed by the auditing firm to be responsible for conducting the audit of the consolidated financial statements of the group, and the auditor appointed to be responsible for conducting the audit of financial statements of subsidiaries;

- signs the audit report.

Conflict of interests - a contradiction between the personal property, non-property interests of the auditor (officials of the audit firm) and his (their) professional rights and duties, the presence of which may affect objectivity or impartiality during the performance of his (them) professional duties relations, as well as on the performance or non-performance by him (them) of actions.

International audit standards - a set of professional standards that establish rules for the provision of audit services and reveal issues of ethics and quality control (quality management), which are defined by international standards for quality control (quality management), audit, review, other assurance and related services, adopted by the Council on International Auditing and Assurance Standards, as well as the International Code of Ethics adopted by the Board of International Ethics Standards for Accountants, which are promulgated by the International Federation of Accountants.

A non-practicing person is a natural person who, within three years prior to the date of appointment: did not conduct and does not conduct professional activities for the provision of mandatory audit of financial statements; was not an official of management bodies or an employee of an audit firm; was not involved in the provision of audit services on a contractual basis; is not related to any subject of audit activity by relations of ownership or control.

Mandatory audit of financial statements - audit of financial statements (consolidated financial statements) of economic entities (their groups), organizations without the status of a legal entity, which in accordance with the law are required to publish or provide such financial statements (consolidated financial statements) to users financial statements together with the auditor's report, as well as combined (sub-consolidated) financial statements of banking groups and non-banking financial groups, other entities, which in accordance with the law are obliged to provide such statements together with the report of the subject of audit activity, conducted by the subjects of the audit activities on the grounds and in the order provided by law.

The professional organization of auditors and accountants is a public

organization established in accordance with the Law of Ukraine "On Public Associations" for the implementation and protection of rights and freedoms, satisfaction of public, in particular economic, social, professional and other interests of auditors and accountants, has an all-Ukrainian status and among of the total number of members of which at least 50 percent are auditors and/or accountants.

Professional skepticism is the auditor's attitude to the information received during auditing activities, which includes a critical approach and attention to circumstances that may indicate possible distortions due to fraud or error, and a critical assessment of audit evidence.

The auditor's professional secret is information (materials, documents, etc.) that became known to the auditor in the process of providing audit services and corresponds to the following characteristics:

- is unknown or not publicly available to a wide range of people;
- the disclosure of which may harm the interests of the person who contacted the auditor, the subject of audit activity.

Professional duties are the duties of the auditor and/or the subject of audit activity, defined by this Law, normative legal acts on auditing activities adopted in accordance with this Law, and international auditing standards. The register of auditors and subjects of audit activity (hereinafter - the Register) is an information and communication system that ensures the collection, accumulation, protection, accounting, display, processing of register data and provision of register information about auditors and subjects of audit activity who have the right on conducting auditing activities in Ukraine, and also contains other information in accordance with the requirements of this Law".

Working documents of the auditor - documents in electronic or paper form and records in electronic or paper form made by the auditor during the planning, preparation and provision of audit services, which contain all information that the auditor considers important for the correct performance of the audit, as well as disclose the procedures used , tests, received information and conclusions reached by the auditor as a result of the audit.

The subject of audit activity is an audit firm or an auditor that meets the following criteria: conducts audit activity as an individual entrepreneur or conducts independent professional activity; acquired the right to conduct audit activities on the grounds and in the manner provided by this Law; registered in the Register as a

subject of audit activity.

*Legal principles of audit activities in Ukraine.*

Since 1993, the active development of audit activity began in Ukraine thanks to the adoption of the Law "On Audit Activity" on April 22, 1993. However, there have been many changes in 30 years, including the legislative framework. Today, auditing activity in Ukraine is regulated by the Law "On the Audit of Financial Statements and Auditing Activity".

Audit activity is regulated by this Law, other normative legal acts on audit activity and international auditing standards. In the event that an international treaty, the binding consent of which has been granted by the Verkhovna Rada of Ukraine, establishes other rules than those contained in this Law, the rules of the international treaty shall be applied.

An auditor acquires the right to conduct audit activities after confirming qualification, gaining practical experience in the manner specified by this Law, and registering in the Register. The auditor has the right to conduct audit activities alone only after being registered in the Register as a subject of audit activities.

The auditor conducts audit activities as part of an audit firm and/or as an individual entrepreneur or conducts independent professional activity, provided that such person is not an employee of the audit firm. A person who has a criminal record that has not been extinguished or not removed in the prescribed manner, or who has been subject to an administrative fine for committing an offense related to corruption during the last year, as well as a person whose registration in the Register was canceled during the last year cannot be an auditor. on the basis of a decision made in the manner specified by Law of audit.

The auditor is prohibited from using his authority to obtain an improper benefit or to accept a promise or offer of such benefit for himself or others. An auditor of a foreign state may acquire the right to carry out audit activities on the territory of Ukraine in the manner specified by this Law, and on the condition that it complies with the requirements established by this Law. 7. The auditor must have a good reputation.

An auditor loses the right to conduct audit activities after cancellation of his registration in the Register on the grounds provided for by this Law. Such a person acquires the right to carry out auditing activities only after confirmation of qualification in the manner specified by this Law and registration in the Register.

The total share of the founders (participants) of the audit firm, who are not auditors and/or audit firms, in the authorized capital cannot exceed 30 percent. The share of the audit firm in its own authorized capital is not included in the size of the share of the founders (participants) of the audit firm who are auditors and/or audit firms.

The head of an auditing firm cannot be an auditor who, in the last two years in a row, has been fined two or more times or imposed administrative penalties for violating the requirements of this Law." The head of an auditing firm cannot be an employee of another auditing firm, except for auditing firms, a founder (participant) which he is". An audit firm of a foreign country may conduct audit activities on the territory of Ukraine, provided that it is admitted to conduct audit activities in accordance with the national legislation of the country of origin of such an audit firm, if the key partner of this firm, which will conduct the audit of legal entities, representative offices of foreign business entities or other of an entity registered in Ukraine meets the requirements of this Law for an auditor, compliance of the audit firm with the requirements specified by this Law, and also after its registration in the Register. The auditing firm must have a good reputation. The registration of an audit firm that has lost its good reputation in the Register shall be canceled on the basis of a relevant decision adopted in accordance with the procedure established by this Law. In the case of cancellation of registration of an audit firm in the Register based on a decision to remove registration information from the Register and cancellation of registration due to its loss of good reputation, or to apply to the audit firm a penalty in the form of removal of registration information from the Register and cancellation of registration, re-registration of such audit firm in the Register is possible no earlier than a year after such a decision was made.

#### *General conditions for the provision of audit services*

Audit services are provided on the basis of the contract for the provision of audit services concluded between the subject of audit activity and the customer.

Non-auditing services can be provided on the basis of a contract, a written or oral request of the customer to the subject of audit activity. The contract for the provision of auditing services provides for the subject matter, the scope of auditing services, the amount and terms of payment, the responsibility of the parties and other conditions in accordance with the requirements of the law and international auditing standards. The contract for the provision of audit services may provide for the

possibility of the entity applying audit activities when providing audit services (except for mandatory audit services or services for the performance of other mandatory tasks). This Law establishes restrictions on the simultaneous provision by entities of audit activity to enterprises of public interest of mandatory audit of financial statements and the provision by such entities of audit activity and/or persons related to them of the following non-audit services:

1) preparation of tax reporting, calculation of taxes, other mandatory fees and payments, representation of legal entities in disputes on the specified issues; provision of consulting services on taxation issues, as well as, in the event that the assistance of the subject of audit activity is not required by law, services for determining state subsidies and tax benefits;

2) services that involve participation in the process of making managerial decisions or performing any management functions of an enterprise of public interest, which is provided with mandatory audit services;

3) bookkeeping and preparation of financial statements;

4) development and implementation of internal control procedures or risk management procedures related to the formation of financial information, as well as development and implementation of information systems related to financial information;

5) provision of legal assistance in the form of: services of a legal adviser to ensure the conduct of economic activity; conducting negotiations on behalf of legal entities; representation of interests in court;

6) staffing of legal entities in the field of accounting, taxation and finance, including services for the provision of personnel who make management decisions and are responsible for drawing up financial statements;

7) valuation services, including those performed in connection with the provision of actuarial services or court process support services;

8) services related to fundraising, profit distribution, development of an investment strategy, in addition to services for providing confidence in financial information, in particular, conducting procedures necessary for the preparation, discussion and issuance of confirmation letters in connection with the issue of securities of legal persons;

9) services related to the function of the internal audit of the enterprise, which is of public interest, to which the services of mandatory audit of financial statements are

provided;

10) services related to the promotion of shares of a legal entity, which is provided with mandatory audit services, trading or subscription to the shares of such a legal entity.

A paper audit report can be prepared for paper financial statements. The auditor's report in electronic form, subject to compliance with the requirements of the legislation on electronic documents and electronic document flow, is drawn up in relation to financial statements drawn up in electronic form.

The auditor and the subject of audit activity have the right to provide audit services, review of financial statements and perform other assurance tasks, provided that such an auditor, the subject of audit activity, its owners (founders, participants), officials, key partners from the audit and the employees involved in the provision of such services are independent of the legal entity and other entity without the status of a legal entity, whose financial statements are subject to verification, did not participate in the preparation and adoption of management decisions of such a legal entity and other entity without the status of a legal entity. The requirement to ensure independence extends to the reporting period of the financial statements to be audited and the period of provision of audit services for such financial statements.

The auditor and the subject of audit activity are obliged to take appropriate measures to ensure independence during the provision of audit services in the cases provided for by international auditing standards, in particular, the prevention of existing or potential conflicts of interest, as well as the influence of contractual or other relationships in which they participate auditor, subject of audit activity, audit network, owners (founders, participants), officials and employees of the subject of audit activity, other persons involved in the provision of audit services, and related persons of the subject of audit activity.

The auditor and the subject of audit activity are obliged to refrain from providing audit services in the event of a threat to moral principles, property interests, protection of personality and family relationships, coercion to commit certain actions as a result of financial, personal, contractual, labor and other relations between the auditor, sub by the object of audit activity, its related persons, its audit network and another person capable of influencing the result of audit services, and legal entities, other entities without the status of a legal entity to which audit services are provided, as a result of which an objective, rational and informed a third party, taking into

account the precautionary measures applied, may conclude that the independence of the auditor or the subject of audit activity is not respected.

The provision of audit services is prohibited if the auditor, the subject of audit activity, its key audit partners, its owners (founders, participants), officials and persons involved in the provision of audit services, including employees of the subject of audit activity and other persons, as well as close relatives and family members of the specified persons:

1) are owners of financial instruments issued by a legal entity, the financial statements of which are subject to verification, or have a significant and direct interest in receiving benefits from a legal entity, an entity without the status of a legal entity to which audit services are provided, or a legal entity associated with such a legal entity jointly owned, controlled and managed by a person, except for those belonging to such a legal person indirectly through joint investment institutions;

2) participate in operations with financial instruments issued, guaranteed or otherwise supported by a legal entity to which audit services are provided, except for operations within collective investment institutions;

3) were during the periods indicated in the first part of this article in labor, contractual or other relations with a legal entity to which audit services are provided, which may lead to a conflict of interests.

The auditor and the subject of audit activities ensure that all significant threats to their independence, as well as precautionary measures taken to reduce such threats, are documented in the auditor's working documents. The auditor and the subject of audit activities have no right to demand or accept money or non-monetary gifts from a legal entity and other entity without the status of a legal entity to which audit services are provided, or a related person, except in cases and in the amount permitted by law.

According to the principle of confidentiality and professional secrecy, auditors and subjects of audit activity are obliged to keep confidential the information received during the provision of audit services, not to disclose information to which they have access during the provision of audit services, and not to use it in their own interests or in the interests of third parties. The principle of confidentiality and professional secrecy should not prevent the implementation of the provisions of this Law. The term of obligations to preserve the confidentiality of information, as well as the cases in which auditors and/or subjects of audit activities have the right to transfer

to third parties the information obtained during the provision of services, may be determined by the contract. It is not a violation of the principle of confidentiality and professional secrecy for an auditor or subject of audit activity to provide information to the holder of the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations in accordance with the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Criminally Obtained Income, financing terrorism and financing the proliferation of weapons of mass destruction".

The auditor's working documents are the property of the audit entity. Access to the auditor's working documents, as well as to information constituting a professional secret, is possible only on the basis of a court decision, except in cases of quality control of audit services by a body authorized in accordance with this Law, disciplinary proceedings, in other cases determined by law, and voluntary consent subject of audit activity.

Members of administrative, management and control bodies, owners (founders, participants) of the subject of audit activity, as well as their related persons are prohibited from interfering in the audit activity of the auditor in a way that violates his independence and threatens the objectivity of his opinion.

#### *Audit report and other official documents*

Auditors and subjects of audit activities conduct audit activities in accordance with international auditing standards. When conducting auditing activities, international auditing standards are applied, published in the state language on the official website of the central executive body, which ensures the formation and implementation of state policy in the field of accounting and auditing, which ensures their updating. At the same time, the central executive body, which ensures the formation and implementation of state policy in the field of accounting and auditing, has the right to determine the date from which international auditing standards will be applied.

The auditor's report provides assurance to users by expressing the auditor's independent opinion on compliance in all material aspects of the financial statements and/or consolidated financial statements with the requirements of national accounting regulations (standards), international financial reporting standards or other requirements.

The auditor's report is signed by an auditor who conducts audit activities as a natural person - an entrepreneur, or conducts independent professional activities in



the case of conducting an audit alone, or, at least, as a key partner in the case of conducting an audit by an auditing firm. In the case of a joint audit of financial statements, the audit report is signed by each auditor who conducts audit activities as a natural person - an entrepreneur, or conducts independent professional activities in the event that he conducts the audit alone, and from audit firms, at least, by their key partners. The person who signed the audit report notes the date of signing.

The audit report based on the results of the mandatory audit must contain at least the following information:

1) full name of the legal entity; the composition of financial statements or consolidated financial statements, the reporting period and the date on which it was prepared; it is also noted - in accordance with which standards the financial statements or consolidated financial statements were prepared (international financial reporting standards or national accounting provisions (standards), other rules);

2) a statement about the application of international auditing standards;

3) the auditor's clearly expressed opinion, unmodified or modified (qualified opinion, negative) or refusal to express an opinion, on whether the financial statements or consolidated financial statements in all material respects reliably and objectively disclose financial information in accordance with international financial reporting standards or national regulations (standards) of accounting and meets the requirements of the legislation on its preparation. If the subject of audit activity cannot express an audit opinion, the report must contain a disclaimer of opinion;

4) separate issues to which the subject of audit activity considers it appropriate to pay attention, but which did not affect the auditor's expressed opinion;

5) on the consistency of financial information in the management report (consolidated management report), which is drawn up in accordance with the law, with the financial statements (consolidated financial statements) for the reporting period and/or with other information obtained by the auditor during the audit, and if available of material misstatements, the management report provides a description of such misstatements and their nature;

6) a significant uncertainty that may call into question the ability to continue the activity of the legal entity whose financial statements are being audited on a continuous basis in the event of such uncertainty;

7) basic information about the subject of audit activity that conducted the audit (full name, location, information about registration in the Register).

The audit report based on the results of a mandatory audit of an enterprise of public interest, in addition to the information specified in part three of this article, must include the following information:

1) name of the body that appointed the subject of audit activity to conduct a mandatory audit;

2) the date of appointment of the subject of audit activity and the total duration of the performance of audit tasks without interruption, taking into account the extension of powers that have taken place and re-appointments for the provision of mandatory audit services;

3) audit assessments, including, in particular:

a) description and assessment of the most significant risks of material misstatement of information in the audited financial statements (consolidated financial statements), including due to fraud;

b) a clear reference to the relevant article or other disclosure of information in the financial statements (consolidated financial statements) for each description and assessment of the most significant risks in the audited statements;

c) a brief description of measures taken by the auditor to address such risks;

d) if applicable, key caveats regarding such risks;

4) an explanation of the extent to which it was considered possible to detect violations, including fraud, during the mandatory audit;

5) confirmation that the auditor's opinion given in the audit report is consistent with the additional report for the audit committee;

6) a statement about the non-provision of non-audit services specified in Article 6 of this Law, and about the independence of the key audit partner and the subject of audit activity from the legal entity during the audit;

7) information on other services provided by the auditor or subject of audit activity to the legal entity or economic entities controlled by it, except for mandatory audit services, which are not disclosed in the management report or in the financial statements;

8) an explanation of the scope of the audit and limitations inherent in the audit.

In the auditor's report, with the exception of the confirmation provided in accordance with paragraph 5 of this part, there should not be any reference to the additional report for the audit committee.

The subject of audit activity is prohibited from using in the audit report mention

of the Body of Public Supervision of Audit Activity and/or the National Bank of Ukraine, and/or the National Commission for Securities and the Stock Market in any way that would indicate or suggest that this audit report is approved or approved by such bodies. The content of the audit report should be clear and not cause ambiguity of understanding.

In the event of a mandatory audit by several audit entities (joint audit), they must agree on the results of the mandatory audit and submit a joint audit report. In case of disagreement, each subject of audit activity must state his opinion in a separate section of the audit report with appropriate justification.

The National Bank of Ukraine, the National Commission for Securities and the Stock Market may establish additional requirements for the information that must be contained in the auditor's report based on the results of the mandatory audit or the report on the review of interim financial information, as well as establish, in accordance with the law, requirements regarding additional reports of subjects of audit activity regarding legal entities that are subject to regulation.

The auditor's report, prepared based on the results of the audit of financial statements (consolidated financial statements), compiled on the basis of the taxonomy of financial statements according to international standards and which is submitted in a single electronic format, is provided together with financial statements (consolidated financial statements) in accordance with the legislation in a single electronic format.

The body of public supervision over audit activity and/or the Audit Chamber of Ukraine, and/or the National Bank of Ukraine, and/or the National Commission for Securities and the Stock Market, in the exercise of the powers defined by law, cannot influence the content of the audit report prepared by the subject of audit activity a report based on the results of a mandatory audit of specific financial statements (except in cases of exercising powers to ensure the quality of audit services in accordance with the requirements of this Law). The implementation by the National Bank of Ukraine, the National Securities and Stock Market Commission of the powers provided for in part six of this article does not affect the content of the audit report.

#### *Public supervision of auditing activities*

All auditors and subjects of audit activity are subject to public supervision. The Body of Public Supervision of Auditing is responsible for public supervision of

auditing activities in Ukraine. The body of public supervision over audit activities consists of the Supervisory Council for Audit Activities (hereinafter referred to as the Supervisory Council) and the Quality Assurance Inspectorate (hereinafter referred to as the Inspectorate). The body of public supervision of auditing activities ensures supervision and is responsible for supervision of:

- 1) registration of auditors and subjects of audit activity;
- 2) implementation of international auditing standards;
- 3) control over the certification of auditors and continuous training of auditors;
- 4) quality control of audit services of audit entities that carry out a mandatory audit of financial statements, or that have notified their intention to conduct a mandatory audit of financial statements;
- 5) disciplinary proceedings against auditors and subjects of audit activity, which carry out mandatory audit of financial statements;
- 6) the use of fines.

The body of public supervision over auditing activities draws up materials on administrative offenses (including at the request of users of financial statements), related to the violation of legislation in terms of failure to provide information to the Body of public supervision over auditing activities in cases provided for by the Law:

The body of public supervision over audit activity supervises the implementation of delegated powers by the Audit Chamber of Ukraine and professional organizations of auditors and accountants.

The Audit Chamber of Ukraine and professional organizations of auditors and accountants to whom certain powers have been delegated submit reports on the performance of delegated powers to the Body of Public Oversight of Auditing in the form approved by the Supervisory Board. The Supervisory Board and the Inspectorate may analyze other information from open sources about the activities of the Audit Chamber of Ukraine and professional organizations of auditors and accountants.

In the event that the Audit Chamber of Ukraine or a professional organization of auditors and accountants, to which certain powers have been delegated, have a real or potential conflict of interest during the performance of delegated powers or interference by its management bodies in the performance of delegated powers, the Audit Chamber of Ukraine, such professional organization or another person, which became aware of such circumstances, is obliged to immediately notify the Body of

public supervision of audit activities.

In order to ensure the financing of the activities of the Public Oversight Body for Auditing, the subjects of audit activity who have the right to conduct a mandatory audit of the financial statements of enterprises of public interest are required to pay the following contributions to the Body for Public Oversight of Auditing Activities:

1) a fixed contribution, the size of which is: - three minimum wages established by law on January 1 of the reporting year, from each audit report prepared by the subject of audit activity as a result of the provision of audit services from the mandatory audit of financial statements to the enterprise, which is public interest;

0.3 of the minimum wage established by law as of January 1 of the reporting year, from each audit report prepared by the subject of audit activity based on the results of the provision of audit services from the mandatory audit of financial statements, except for the mandatory audit of financial statements of enterprises that constitute public interest;

2) contribution as a percentage of the amount of remuneration (excluding value added tax) under contracts for the provision of audit services for mandatory audit of financial statements or other mandatory tasks, the amount of which is determined by the Cabinet of Ministers of Ukraine upon submission in accordance with the procedure established by law by the Body of Public Supervision for audit activities, but cannot be more than 2 percent of the amount of such remuneration.

In order to ensure the financing of the activities of the Audit Chamber of Ukraine, subjects of audit activity who have the right to conduct mandatory audits of financial statements (except subjects of audit activity who have the right to conduct mandatory audits of financial statements of enterprises of public interest) must be required to pay the following contributions to the Audit Chamber of Ukraine:

1) a fixed contribution, the size of which is 0.3 of the minimum wage established by law on January 1 of the reporting year, from each audit report prepared by the subject of audit activity as a result of the provision of audit services from the mandatory audit of financial statements;

2) contribution as a percentage of the amount of remuneration (excluding value added tax) under contracts for the provision of audit services for mandatory audit of financial statements or other mandatory tasks, the amount of which is determined by the Audit Chamber of Ukraine, but cannot be greater than the amount of the contribution, which is paid in favor of the Body of public supervision over audit

activity by entities of audit activity that provide mandatory audit services to enterprises of public interest.

The body of public supervision of auditing activities is a legal entity under public law, which does not aim to make a profit. The body of public supervision of auditing activities is a state institution that performs the functions of public supervision of auditing activities established by this Law. The Charter of the Body of Public Supervision of Auditing Activities is approved by the central executive body, which ensures the formation and implementation of state policy in the field of accounting and auditing.

The Supervisory Board is the highest management body of the Body of Public Oversight of Auditing and consists of nine persons, two representatives each from the central body of executive power that ensures the formation and implementation of state policy in the field of accounting and auditing, the National Bank of Ukraine, one representative from The National Securities and Stock Market Commission and three non-practitioners. The Executive Director of the Inspectorate is a member of the Supervisory Board.

Three persons from among non-practicing persons are elected through an open competition with a transparent procedure by the nomination committee, which is formed by delegation of one representative from the central executive body that ensures the formation and implementation of state policy in the field of accounting and auditing, the National Securities and Stock Commission market, the Audit Chamber of Ukraine, two representatives of the National Bank of Ukraine and three representatives of professional organizations of auditors and accountants, which have as full members at least 10 percent of the total number of auditors registered in the Register as of January 1 of the current year.

Candidates for election as members of the Supervisory Board from among non-practicing persons are offered by the Audit Chamber of Ukraine, professional organizations of auditors and accountants, as well as by self-nomination.

Each professional organization of auditors and accountants, which has as full members at least 10 percent of the total number of auditors registered in the Register as of January 1 of the current year, may delegate no more than one representative. If the total number of delegated representatives is more than three, then representatives of only those three professional organizations of auditors and accountants, which have a larger number of auditors registered in the Register as of January 1 of the

current year, are elected to the nomination committee.

Persons who, during the last three years prior to the date of the competition, were members of the Council of the Audit Chamber of Ukraine or were officials of professional organizations of auditors and accountants who exercised delegated powers cannot be elected to the Supervisory Board.

The Chairman of the Supervisory Board is elected from among the members of the Supervisory Board by a simple majority of votes. Meetings of the Supervisory Board take place at least once every two months. The powers of the Supervisory Board include:

1) approval of the public report on the activities of the Public Oversight Body for auditing activities;

2) approval of the Charter of the Body of Public Supervision of Auditing Activities and draft legal acts on the regulation of auditing activities;

3) supervision of the activities of the Audit Chamber of Ukraine and professional organizations of auditors and accountants in terms of the performance of their delegated powers and the participation of members of the Supervisory Board in the work of the management bodies of the Audit Chamber of Ukraine and professional organizations of auditors and accountants within the scope of such supervision;

4) making decisions on the appointment of an audit of the implementation of delegated powers by the Audit Chamber of Ukraine and/or professional organizations of auditors and accountants;

5) approval and provision to the Audit Chamber of Ukraine and professional organizations of auditors and accountants of recommendations on the elimination of identified violations in their activities in the performance of their delegated powers;

6) reviewing the decisions of the Audit Chamber of Ukraine and professional organizations of auditors and accountants, adopted by them within the scope of the exercise of delegated powers, canceling fully or partially illegal decisions of the Audit Chamber of Ukraine and professional organizations of auditors and accountants, as well as taking other actions regarding their review in accordance with the law;

7) supervision of the activities of the Inspection;

8) conducting a competition and, based on its results, appointing the Executive Director of the Inspection;

9) making a decision to initiate a disciplinary case against auditors and subjects of audit activity;

10) making decisions on the application of fines to auditors and subjects of audit activity;

11) approval of the procedure for documenting materials on administrative offenses;

12) approval of application forms submitted by auditors and subjects of audit activity for their registration in the Register, entry of information into the Register (changes to it) and deletion of register information from the Register, forms of reports on the implementation of delegated powers by the Audit Chamber of Ukraine and professional organizations of auditors and accountants, the forms and procedure for submission by subjects of audit activity to the Body of Public Supervision of Audit Activity, information on the results of their activity in the cases provided for by this Law;

13) receiving information from the Inspectorate, the Audit Chamber of Ukraine and professional organizations of auditors and accountants on issues within the competence of the Supervisory Board;

14) approval of the schedule of quality control audits of audit services planned to be carried out by the Inspectorate together with the Audit Chamber of Ukraine;

15) involvement of experts;

16) transfer of materials to law enforcement agencies;

17) approval of the estimate of the Body of public supervision of audit activity and approval of the report on its implementation;

18) approval of the estimate of the Audit Chamber of Ukraine in terms of financing the implementation of the powers delegated by it;

19) supervision of the activities of the attestation commission, cancellation of fully or partially illegal decisions of the attestation commission, as well as taking other actions related to their review in accordance with the law;

20) providing companies of public interest with recommendations on ensuring the activities of audit committees or designated bodies (subdivisions) entrusted with the relevant functions, in accordance with the requirements of this Law;

21) determination of the procedure for delegation of powers to the Audit Chamber of Ukraine and professional organizations of auditors and accountants and supervision of the execution of such powers;



22) making decisions on delegating to the Audit Chamber of Ukraine or professional organizations of auditors and accountants the authority to control the quality of audit services of entities of audit activity that have notified the intention to carry out a mandatory audit of financial statements, or the authority to control continuous professional training of auditors, establishing requirements for such professional organizations and making decisions on revoking the powers delegated in accordance with part five of this article;

23) at the request of the Inspectorate to make a decision on inspections.

*Attestation of auditors*

An individual may be recognized as an auditor who:

- 1) has a higher education;
- 2) confirmed a high level of theoretical knowledge and professional competence by successfully passing the relevant exams;
- 3) passed practical training in conducting audit activities.

*Theoretical knowledge is confirmed in the following areas:*

- 1) standards of professional ethics and professional independence;
- 2) international auditing standards;
- 3) legislative principles of audit activity and audit methodology (professional skills);
- 4) risk management and internal control;
- 5) financial analysis;
- 6) management accounting;
- 7) international financial reporting standards;
- 8) accounting theory and legal principles of accounting and financial reporting;
- 9) tax legislation and legislation on the single social contribution;
- 10) economic, civil and labor legislation;
- 11) corporate legislation and legislation on restoring the debtor's solvency or declaring him bankrupt;
- 12) information technologies and computer systems;
- 13) finance of enterprises;
- 14) enterprise economy and statistics.

Professional competence is confirmed by passing a qualifying exam, which should prove a person's ability to apply theoretical knowledge in practice.

A person who has a higher education and practical experience in the field of

accounting, auditing, law, finance, banking, economics or auditing for at least 15 years can be certified based on the results of the qualification exam.

A person who has a higher education and at least 7 years of work experience in the above-mentioned fields can be certified based on the results of a qualification exam in the case of gaining practical experience in conducting audit activities in the manner determined by the Procedure for acquiring practical experience in conducting audit activities, or passing theoretical exams by areas: international auditing standards, international financial reporting standards, risk management and internal control. An auditor certified by the results of passing the qualification exam and theoretical exams in the above areas cannot be appointed as a key partner for mandatory tasks within three years after the start of auditing activities.

The qualification exam and theoretical knowledge exams are conducted by independent knowledge assessment centers accredited by the certification commission.

Preparation for taking exams in accordance with the programs approved by the certification commission can be conducted by institutions of higher education and other legal entities, professional organizations of auditors and accountants. A candidate for auditors can independently prepare for the exams.

Preparation of examination tasks, solutions to these tasks and criteria for their assessment are provided by compilers determined by the decision of the certification commission.

On the basis of such a decision, a fixed-term employment contract (contract) is concluded between the contractor and the Public Oversight Body for Auditing, represented by the Executive Director, in compliance with the requirements of this Law and labor legislation.

*Attestation of auditors is carried out by the attestation commission.*

The attestation commission consists of nine people and is formed by delegation to its composition:

1) one person from higher education institutions at the request of the central executive body, which ensures the formation and implementation of state policy in the field of higher education;

2) two persons - representatives of professional organizations of auditors and accountants, which have as full members at least 10 percent of the total number of auditors registered in the Register as of January 1 of the current year;

3) one person from the Audit Chamber of Ukraine;

4) one person each from the National Securities and Stock Market Commission, the central executive body that ensures the formation and implementation of state policy in the field of accounting and auditing, the central executive body that ensures the formation and implementation of state economic development policy, and two persons from the National Bank of Ukraine.

Representatives of professional organizations of auditors and accountants, which have at least 10 percent of the total number of auditors registered in the Register as of January 1 of the current year, may be delegated to the attestation commission. If there are more than two professional organizations of auditors and accountants that meet the specified criterion, representatives of professional organizations of auditors and accountants who are members of the International Federation of Accountants are first included in the certification commission. At the same time, preference is given to those professional organizations of auditors and accountants that have the largest number of auditors registered in the Register as of January 1 of the current year as full members. If there are no professional organizations of auditors and accountants that are members of the International Federation of Accountants among those professional organizations of auditors and accountants that meet the specified criterion, or there are fewer than two of them, then representatives of those professional organizations of auditors and accountants are included in the certification commission, which meet the specified criteria and have as full members a larger number of auditors registered in the Register as of January 1 of the current year.

Professional organizations of auditors and accountants elect representatives to the attestation commission by rating voting in accordance with the procedure determined by the Cabinet of Ministers of Ukraine.

The chairman of the attestation commission is elected from among its members by a simple majority of votes from the total number of members of the attestation commission. The personal composition of the attestation commission is approved by the head of the central executive body, which ensures the formation and implementation of state policy in the field of accounting and auditing.

The term of office of the members of the certification commission is three years. The regulation on the attestation commission is approved by the Public Oversight Body for Auditing and approved by an order of the central executive body, which

ensures the formation and implementation of state policy in the field of accounting and auditing.

Exams are conducted in written or electronic form with respect for anonymity and confidentiality.

For passing each theoretical or qualification exam, a fee is paid in the amount determined by the attestation commission, but not more than one minimum wage established by law on January 1 of the reporting year. The specified funds are credited to the special account of the Public Supervision Authority over auditing activities and are distributed by the Public Supervision Authority over auditing activities in accordance with the approved procedure and the estimate approved by the attestation commission between independent knowledge assessment centers, persons for checking examination papers and other persons involved in the process of organization and taking exams. In case of enrollment in the exam, the fee is not paid.

Such funds can also be used to partially cover the costs of the Public Oversight Body for auditing activities, related to the payment of the compilers' work, as well as organizational, material, technical and methodical support for the activities of the certification commission.

The certificate of passing exams on theoretical knowledge and the qualification exam is issued by the Inspectorate based on the decision of the attestation commission. The certificate is valid for five years from the date of passing the qualifying exam. Refusal to issue a certificate can be appealed to the Supervisory Board. Decisions of the Supervisory Board made as a result of such an appeal may be appealed to the court. The auditor must comply with the requirements for continuing professional education.

Auditors are obliged annually by July 1 of the year following the reporting calendar year to submit through the electronic office information on the completion of continuous professional training in the form and in the order determined by the Supervisory Board, for its automatic entry into the Register. If the auditor does not provide such information through the electronic office or does not undergo continuous professional training during the year, the Inspectorate issues an order regarding the need to urgently eliminate the violation of the requirements of this Law regarding continuous professional training and/or the inadmissibility of repeating such a violation. In the event that the auditor fails to comply with the order within two months after its issuance, or if the auditor repeatedly violates the requirements of

this Law regarding continuous professional training within two years, a penalty in the form of a warning shall be imposed on the auditor by the decision of the Supervisory Board.

The main types of continuous professional training of auditors are educational, short-term and other activities provided for by the approved Procedure, in which auditors participate in order.

*Registration of auditors and subjects of audit activity*

Subjects of audit activity can provide audit services only after registration in the Register.

The Register is maintained electronically in accordance with the requirements of the Law of Ukraine "On Public Electronic Registers" and taking into account the features defined by this Law.

The holder and administrator of the Register is the Body of Public Supervision of Audit Activities, which ensures the creation, operation and management of the Register, as well as performs its administration.

Normative and legal regulation of issues of maintaining the Register, in particular approval of the Procedure for maintaining the Register, and other powers of the holder of the Register in accordance with the second part of Article 13 of the Law of Ukraine "On Public Electronic Registers" is carried out by the central body of executive power, which ensures the formation and implementation of state policy in the field of accounting and audit.

Registration actions provided for by this Law and the Law of Ukraine "On Public Electronic Registers" are carried out by public registrars. The public registrar can be a citizen of Ukraine, who is a non-practicing person, has a higher education and is in employment with the Body of public supervision of auditing activities.

The register consists of the following sections:

- 1) auditors;
- 2) subjects of audit activity;
- 3) subjects of audit activity who have the right to conduct mandatory audits of financial statements;
- 4) subjects of audit activity who have the right to conduct mandatory audits of financial statements of enterprises of public interest.

In the section "Entities of audit activity, which have the right to conduct a mandatory audit of financial statements" of the Register, information is entered about

entities of audit activity that have experience in auditing activity for at least one year, which is confirmed by the information entered about them in the section "Subjects of audit activity" of the Register, and have passed audit quality control audits, as well as meet the requirements established by this Law for the subjects of audit activity, which have the right to conduct a mandatory audit of financial statements.

The auditor or the subject of audit activity receives information about the progress and results of entering the information submitted by him into the Register in real time through the electronic office. Individuals for whom the attestation commission, in accordance with Article 19 of this Law, has made a decision on recognition of qualification for auditing activities, are not subject to registration in the Register, as well as the registration in the Register of auditors whose information is entered in the Register is subject to cancellation, if such individuals persons or auditors meet at least one of the following criteria:

- 1) are citizens of a country that carries out armed aggression against Ukraine;
- 2) are in the public registers of auditors and/or are members of professional organizations of auditors and/or accountants of the country that carries out armed aggression against Ukraine and /or business entities registered on the territory of a country that carries out armed aggression against Ukraine, and/or that directly or indirectly own shares in the authorized capital and/or the right to vote in such audit firms, regardless of formal ownership or participation in their management bodies.

Cancellation of registration of such auditors in the Register is carried out by the decision of the Supervisory Board, adopted at the request of the Audit Chamber of Ukraine or the Inspectorate.

#### *Concept and regulatory regulation of internal audit*

The Institute of Internal Auditors provides training and certification of internal auditors, has the certification mark of internal auditors (CIA®), which is a confirmation of the certification of internal auditors at the world level and a standard for evaluating the competence and professionalism of auditors in the field of internal audit.

Unlike external audit, which was regulated by the Law of Ukraine "On Audit Activity" dated 04/22/93 No. 3125-XII, internal audit activity is not regulated by law. However, some documents in a certain way affect the issue of internal audit. In particular, ISA 610 "Reviewing the work of internal audit" establishes provisions and provides recommendations to external auditors when considering the work of internal

audit, and at the same time, does not regulate internal audit procedures in any way.

The diversity of the given definitions is explained by the lack of a single regulatory document that would regulate relations in the field of internal audit. As we can see, in certain positions they have significant contradictions, for example, regarding the independence of the opinion expressed by internal audit, regarding what internal audit is after all - an evaluation activity or a division, etc.

It does not make sense to analyze each contradiction in detail, since each body that issued a regulatory document interpreted the term "internal audit" based on its own management needs, which cannot be considered incorrect.

The possibilities and purpose of the internal audit service have a very wide range and directions and depend on the size and structure of the enterprise, as well as the needs of management. As a rule, the functions of the internal auditor consist of: control over the functioning and organization of accounting and internal control systems. Control over the organization of accounting and internal control systems is the performance of part of the functions of the company's management. The internal audit service, as a rule, is responsible to the management of the enterprise for constant monitoring and control of the functioning of these systems. Specialists of the internal audit service provide recommendations for improving these systems; examination of financial and operational information, review of funds used for identification, measurement, classification and informing; preparation of reviews of the company's performance, including non-financial means of management; control over compliance with Ukrainian legislation and the implementation by all divisions of the enterprise of its internal policy regarding the implementation of activities.

Internal audit serves to meet the needs of owners and managers. At the same time, internal audit has a lot in common with external audit, but it cannot completely replace the latter due to a number of factors, the main of which is the independence factor. We remember that according to ISA 610:

Regardless of the degree of independence and objectivity of the internal audit, it cannot achieve the degree of independence required of the external auditor when expressing an opinion on financial statements

Internal audit can and does partially perform the functions of external audit. This follows from the analysis of the norms of ISA 610. As a rule, the external auditor carries out procedures for evaluating and verifying the work of the internal audit in order to reduce the time spent on conducting the audit. That is, if the external auditor

is satisfied with the control procedures performed by the internal auditor, he does not conduct them again, but only evaluates and checks them, which he must note in his working documents and final audit documentation. It is worth paying attention to the fact that this approach allows companies to save significant sums of money on the services of external auditors.

Internal audit cannot completely replace external audit, however, it performs certain procedures that can be used for the needs of external audit.

#### *The essence of tax audit in Ukraine*

In short, a tax audit is an independent check of the tax accounting of an enterprise or organization.

Conducting a tax audit at the initiative of management is not mandatory. But analysis of accounting and tax reporting by an auditing firm before conducting a state tax audit allows you to identify errors or inaccuracies and avoid fines. This is especially relevant for large companies, financial and industrial groups with a wide network of divisions, as well as those that conduct high-risk or export-import operations.

In general, a tax audit is an effective management tool that allows you to assess the qualifications of the accounting department. Also, a tax audit is necessary in case of reorganization of the enterprise or change of the chief accountant.

- certificates of advance payments;
- accounting, financial reporting.

The audit of tax reporting in Ukraine takes place in several stages:

- Signing a contract with an auditing company.
- Drawing up a plan, inspection program.
- Studying the peculiarities of taxation for the enterprise.
- Assessment of correctness of calculations and their compliance with legislation.
- Identification and assessment of existing violations and potential risks.
- Compilation of the report, development of recommendations.

In the process of the development of scientific knowledge, the concept of tax audit was constantly transformed in terms of content, refined according to new features. A review of scientific research on the understanding of its definition in domestic and foreign literature shows their contradictory nature. Both in science and in practice, there are many interpretations of the essence of tax audit as a concept.



Thus, a number of researchers consider tax audit as a type of tax control, including it in the scope of inspection only by state bodies. Some scientists attribute tax audit to the sphere of state tax control and independent tax audit at the same time.

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## ***SECTION 5. MECHANISMS AND MODELS OF FINANCIAL-ECONOMIC SECURITY MANAGEMENT OF ENTERPRISES***

### **5.1. MECHANISMS AND MODELS OF FINANCIAL-ECONOMIC SECURITY MANAGEMENT OF ENTERPRISES**

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**Summary.** The object of the study is the process of corporate management to ensure development strategies in the system of financial and economic security.

The purpose of the thesis is to determine the essence and role of corporate management, as well as practical aspects of its implementation for the strategic development of the enterprise in the field of financial and economic security of the enterprise.

**Research methods.** The theoretical and methodological basis of the research is the dialectical method of scientific knowledge of economic phenomena of processes. When solving the tasks defined in the thesis, the following methods of detailed study of the research object were used: monographic, analysis and synthesis method; comparative method, abstract-logical, economic-statistical and others.

The theoretical aspects of corporate governance as a strategic factor of enterprise development in the field of financial and economic security are summarized. The financial and economic characteristics of the farm are characterized. The organization of the work of the economic security service of the enterprise and the assessment of its condition by separate components are analyzed.

**Keywords:** security, corporate management, management, financial and economic security

Corporate governance is an integral part of general management; it is one of its fundamental elements and primarily defines the alignment of relations between owners and managers. Corporate governance emerged at a certain historical stage of socio-economic development, in the era of separating management functions from ownership when new organizational forms of business management began to emerge, which over time became known as joint-stock companies or corporations.

Today, there is no clear distinction between the subject of studying general

management and the subject of corporate governance. From a strategic perspective, corporate governance aims to ensure the sustainable development of organizations by forming the most effective organizational structure. This structure, in turn, should be based on the optimal balance of competencies and responsibilities of corporate governance participants.

Corporate governance considers the implementation of economic operations by employees and managers, based on the corporation's highest efficiency, taking into account the interests of the organization's management and its owners. However, the interests of owners and the corporation do not always coincide. Therefore, corporate governance within the framework of general management aims to achieve optimal alignment of the interests of corporate relationship subjects – owners, managers, employees, and society. [1].

На сьогоднішній день не існує єдиного підходу до визначення сутності корпоративного управління у роботах як західних, так і вітчизняних науковців.

The most common interpretation of this term is provided by P. Cochran and S. Wartick. In their view, "corporate governance is a protective mechanism that encompasses many aspects related to the concepts, theories, and practices of boards of directors. It is a field that focuses on the relationships between the board of directors, shareholders, senior management, regulators, auditors, and other stakeholders" [2, ст. 6, 9].

An interesting definition of this economic category is provided by American researchers R. Monks and N. Minow. They interpret corporate governance as the relationships between various participants in defining the directions of development and activities of the corporation. According to this definition, the groups of participants include shareholders, managers, members of the board of directors, employees, customers, suppliers, creditors, and other interested parties [3, ст. 18].

Among Ukrainian scholars, the formulation of this phenomenon by Dr. of Economic Sciences, Professor at the Academy of Customs Service of Ukraine, Vakulchyk O.M., deserves attention. He considers corporate governance as the set of actions of managers and owners of share capital acting within the current legislation and ensuring the process of attracting financial and labor resources and their effective use to satisfy the interests of all participants in corporate governance through appropriate distribution of created value [4].

Thus, in the interpretations provided above, corporate governance is considered

either as a system of interactions between participants in corporate relations or as a specific management process aimed at profit generation, or a combination of these two approaches.

Most scholars interpret the concept of corporate governance quite narrowly, focusing primarily on such key elements as "management of corporate rights," "system of governance bodies and their interaction," "system of relationships between corporate participants," "regulation by legislative and regulatory acts, internal documents, and provisions," and "ensuring maximum possible profit."

However, we propose to look at the process of corporate governance more broadly, without being tied to ownership forms (corporations, joint-stock companies) and their governing bodies. Taking this into account, the interpretation of corporate culture will be synonymous with the concept of "enterprise management," which represents purposeful activity of management, combining methods, means, and forms of effective coordination of employees' work to achieve set tasks or defined goals. Thus, "corporate governance" and "organization management" will be identical in essence but will differ in the implementation of management functions that are relevant to various organizational forms of the enterprise.

The process of corporate governance primarily involves formulating strategy, defining goals and objectives of the organization's activities, planning and forecasting current and future activities, issues of control and activity monitoring, motivation of its personnel, and so on. All of the above-listed tasks belong to the functions of corporate governance. To perform these functions, a range of management methods is necessary.

The most common management methods for any organization, regardless of its ownership form, are organizational-administrative, economic, and socio-psychological (рис. 1) [5]. In the quest for more effective enterprise development, managers often rely solely on economic factors and management methods, without considering the fact that any organization consists of people who work in it, whose labor behavior and activities have a tremendous impact on the internal organizational climate or, in other words, the environment in which they work.

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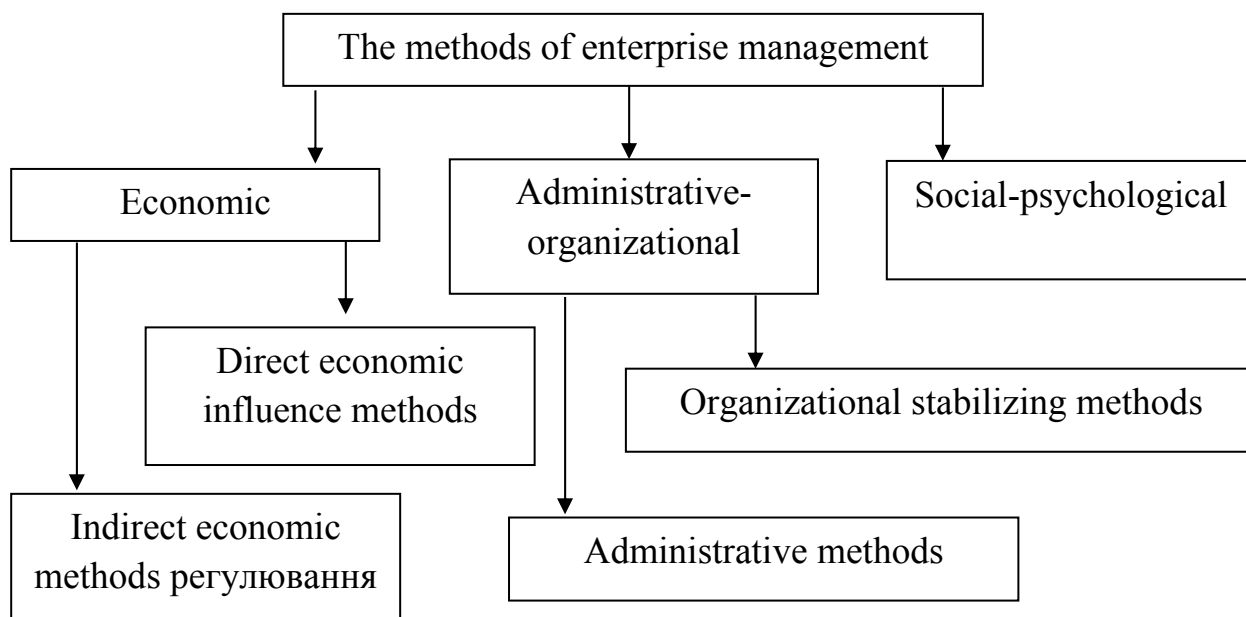


Fig. 1. Methods of enterprise management

Thus, alongside factors such as production capacities, technologies, and financial resources, one of the most significant factors is corporate culture. Corporate culture constitutes a specific set of rules and standards that determine the interaction and coordination among members of the collective, management levels, structural units, and the main development factors of the company. At the core of corporate culture are the ideas, views, and fundamental values shared by all members of the company [6].

An effectively defined and constructed corporate culture should be regarded as a powerful strategic instrument that allows for coordinating the work of all structural units and individual members of the collective to achieve the organization's goals. Thus, corporate governance is a separate sphere of managerial activity, which is the subject of research at the level of individual organizations. Corporate governance shares common features, as well as specificity and differences from the general interpretation of the category "management" (or "non-corporate management"). The commonality lies in the fact that corporate governance, like management in general, extends to all subsystems of the enterprise; however, situations may arise where the goals of corporate governance and management overlap under certain conditions (for example, efforts to achieve the profitability of the enterprise). At the same time,

corporate governance is characterized by targeted, systemic orientation, determined by the nature of relationships and cooperation (as well as the corresponding level of conflict) between groups of key participants in corporate relations [7, c. 125].

Researching the category of "corporate governance effectiveness" involves comparing it with the category of "management effectiveness" based on the disclosure of differences between corporate governance and non-corporate governance.

The formation of the modern corporate sector and principles of corporate governance in Ukraine was ensured by the development and adoption of a series of strategic legal documents. At the same time, a formal institutional basis for corporatization was created. Such activities were regulated by institutions established in the early 1990s, such as the State Property Fund of Ukraine (SPFU), the State Commission on Securities and Stock Market (SCSSM), the Ukrainian Stock Market Development Institute (USMDI), the Ukrainian Association of Investment Business (UAIB), etc [8, c. 32-33].

It can be argued that the ideology of state governance over the processes of corporatization in Ukraine was built with the aim of organizing market-oriented enterprises and enhancing the efficiency of organizational formations of the corporate type by utilizing the advantages of the corporate structure of economic entities. It aimed to ensure investment interests of broad sections of the population, their participation in the use, disposal, and management of property, as well as to address complex business problems through joint efforts, intellect, and capital pooling, and to solve a range of socio-economic issues based on these efforts.

Several works have identified differences and peculiarities of the domestic model of corporate governance, particularly concerning comparisons with the main global counterparts – the Anglo-American, Western European (German), and Japanese models. The domestic model of corporate governance is analogous to those of foreign countries, but the specificity of the Ukrainian modification is determined by significantly deeper institutional factors. In other words, the formation of the domestic model has already occurred, and its main characteristics are generally accepted. Confirmation of this can be found in the peculiarities of global models. When forming a national model of corporate sector management, it is also expedient to determine similar and different features of the Ukrainian model and established models of corporate governance [9].

The national model of corporate governance leans most towards the Japanese model. The analysis conducted provides grounds to identify a number of regularities in the form of a structural scheme of correspondence (Figure. 1.2) [10, c.42]. The modern challenges of globalization and the formation of economies of countries pose new requirements for the development of corporate governance models. The significance of the effectiveness of the corporate governance system extends beyond the interests of individual corporations. Corporate governance affects investment processes and opportunities for interaction with the global financial market, which is directly linked to economic growth [11, c. 177]. It is important to note that for Ukraine, which has lacked its own corporate culture and governance for a long time, creating its own corporate model is extremely important. This model should not simply copy models from other countries but reflect the socio-economic peculiarities of its own development.

Insider systems of governance exist when ownership is concentrated in the hands of a few individuals who own large stakes in corporate assets. In this case, a significant portion of management functions is carried out by legal and natural persons, and management is under their direct influence. It is characteristic that insiders are both shareholders and managers of such corporations.

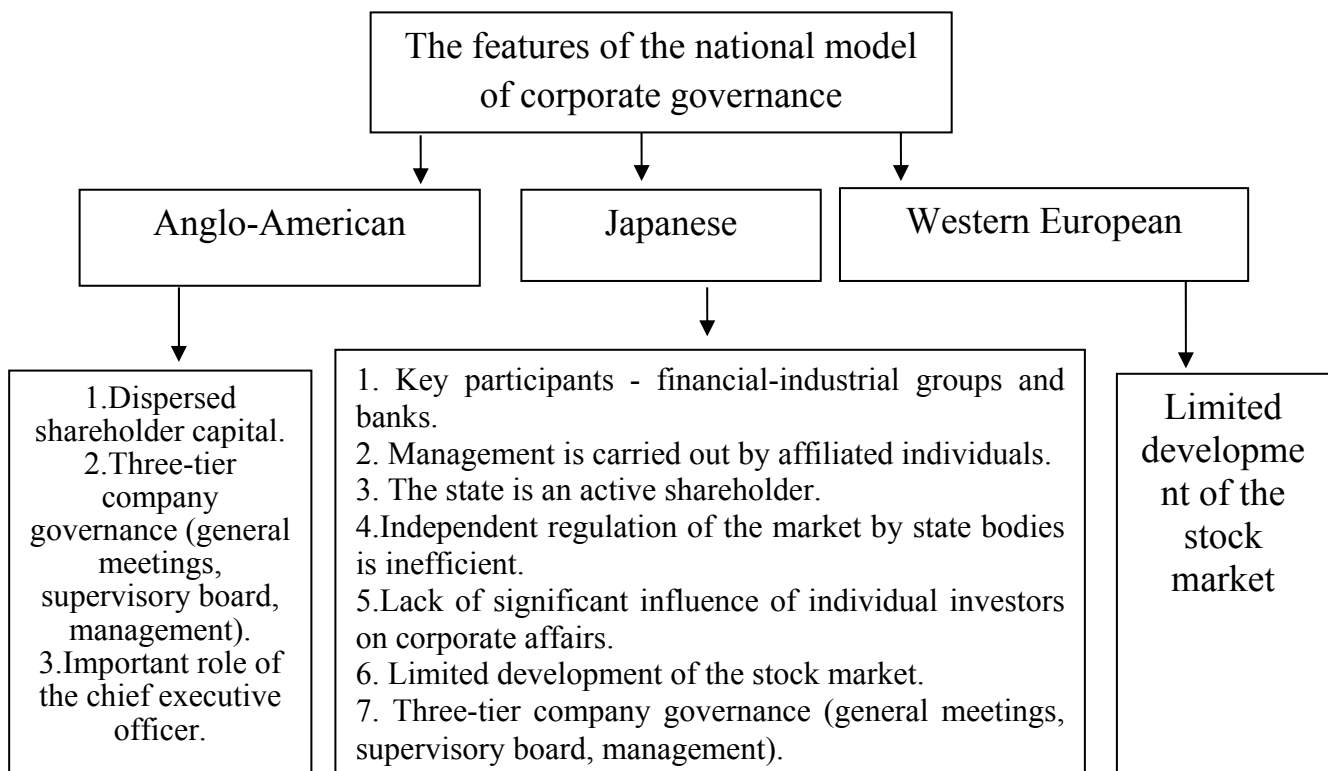


Fig. 2. Structural-logical scheme of correspondence of the national model of corporate governance to global analogues

Outsider systems are characterized by dispersed shareholder ownership, which means decision-making is largely dependent on managers, and various forms of control takeover of the corporation are applied [12, c. 22].

As the analysis has shown, the structure of the corporate governance model in Ukraine is based on the specificity of the distribution of managerial functions between shareholders and company managers. At its core, this model is in the active stage of formation, formally including separate, distinct components of all three traditional models. These components include ownership, characteristic of outsider models; a tendency towards ownership and control concentration, the introduction of elements of cross-ownership, and the formation of complex corporate structures of various types, typical of insider models, where workers and/or managers of the enterprise receive certain privileges. In the latter case, the advantage of the insider ownership structure leads to internal "norm-setting" and profit distribution in the interests of shareholder-workers [13, c. 53; 61]. It is evident that there are grounds to assert that such a combination of elements of existing corporate governance systems is one of the main features of the Ukrainian model of corporate governance.

Considering the above, the model of effective corporate governance should be based on the following elements:

Separation of powers of governing bodies (clear distribution of functions and responsibilities between general meetings, supervisory board, and executive body).

Effectiveness, independence, and accountability of the supervisory board (ensuring strategic management of the organization, effective control by the supervisory board over the activities of the executive body, and increasing its accountability to shareholders).

Protection of the legitimate rights and interests of shareholders (determination of the scope of corporate rights of shareholders, the possibility of using effective means of their protection, as well as equal rights of shareholders).

Consideration of the legitimate interests of stakeholders (recognition of the rights provided by law of interested parties, as well as encouragement of active cooperation between the organization and interested parties regarding the creation of prosperity, jobs, and improvement of the financial position of the company).

Disclosure and transparency of information (ensuring timely and complete disclosure of information on all important issues concerning the company, which characterize its financial condition, results of activities, owners, and management).



[15].

One of the main trends in the development of the economy is the formation of a large number of corporate entities. Therefore, the level of economic development of a country depends on the efficiency of their functioning, the qualifications of the management apparatus, the implementation of new principles of corporate governance, and the participation of corporate sector enterprises in the country's political and social life.

One of the major challenges in improving the level of corporate governance is the absence of a unified methodology that allows assessing the effectiveness of corporate governance. "The problem of corporate governance is also caused by the lack of regulation of corporate relations. Therefore, there is a need to develop a mechanism of corporate governance that takes into account all the features of the functioning of corporate sector enterprises and the interests of all stakeholders in corporate relations." [16].

– A corporation is an organizational structure that brings together necessary resources for the production of goods and services for the population. This form of business, in conditions of economic instability and variability, has certain advantages:

– Minimizes the financial risk of shareholders by excluding, under current legislation, their liability to the company's creditors beyond the capital invested in shares.

– Facilitates favorable investment acquisition.

– Allows for entrepreneurial activities after changes in the composition of shareholders.

– Offers employees participation in profit distribution and enables corporate owners to successfully implement strategic plans based on collective interests [17, c. 96].

The corporate governance system involves the distribution of rights and responsibilities among various participants in corporate relations. Since dividend policy is one manifestation of corporate governance, the development of the enterprise will depend on how such a policy is implemented.

Narrowly defined, corporate governance involves ensuring that managers manage the enterprise in the interests of the shareholders-owners. In a broader sense, corporate governance is about protecting and considering the interests of both financial and non-financial investors who contribute to the corporation's activities

[18].

Thus, corporate governance is the management of the organizational and legal field of business, optimization of organizational structures, and the establishment of internal and inter-firm relations of the company in line with its objectives. This view of the essence of corporate governance reflects the interrelation between corporate governance and the management of integrated corporate structures [19, c. 14].

Control and assessment of corporate performance are associated with a rather complex procedure of determining quality criteria. Key performance indicators of financial status serve as criteria for successful performance. However, the role of the most important criteria may vary depending on the significance given to the company's objectives and the responsibilities of its managers [20].

There is no single model of corporate governance that works in all countries. However, there are certain standards applied in various legal, political, and economic contexts. Based on these standards, rating agencies, consulting firms, and research centers develop information-analytical products that characterize the quality of corporate governance in individual companies as well as in the country as a whole.

As of today, there are several ratings and a large number of other diverse indicators worldwide that characterize the effectiveness of corporate governance. The use of a systematic approach to analyze existing corporate governance indicators has allowed for their systematization based on the following criteria:

1. Depending on the entities that calculate them: - foreign; - domestic. Among the main international indicators are the ratings of agencies such as Standard & Poor's, CORE Rating, Brunswick UBS Warburg, the Russian Institute of Directors, and the rating agency "RID - Expert RA," and so on. [13; 14]. Among the domestic indicators, we can include the Corporate Governance Index in Ukraine (CGIU) and the Corporate Governance Rating of the enterprise by the rating agency "Credit-Rating" [21, c. 5];

Depending on the type of indicator:

Rating

Index

Coefficient

Ranking

Other indicators

Depending on the complexity of the calculations conducted:

Macro indicators: Allow to assess the level of corporate governance based on regulatory acts and their compliance with international standards [22, c. 10]; – Micro indicators: Evaluate only the quality of corporate governance in individual joint-stock companies [22, c. 11]; – Depending on the information used in calculations:

Based solely on public information, which is openly disclosed in mass media and the Internet.

Based on both public information and insider information obtained from the management of the joint-stock company [22, c. 12].

The effectiveness of corporate governance is determined as a result of the combination of four factors, which are applied according to national or regional specificities: peculiarities of national legislation, ownership structure, governing bodies, and societal pressure. Studying them can lead to a deeper understanding of the national "regulatory" environment with which corporations interact.

Corporate governance rating involves conducting analysis in two directions.

First direction: Corporate governance in the internal environment of the company, i.e., analyzing the effectiveness of interaction between the CEO, the board of directors, shareholders, managers, and employees of the company. The main objects of study are the internal structure and methods of corporate governance in the company, comparing them with the best practices worldwide. External stakeholders such as the public, local administration, government, consumers, and suppliers are beyond the scope of such analysis [23].

Second direction: Corporate governance in the external environment, i.e., analyzing the effectiveness of the legal, regulatory, and informational infrastructure of a specific country. The object of study is the degree of possible influence of external factors at the macroeconomic level on the quality of corporate governance in a particular company. Three main groups of indicators have been identified, which are necessary and sufficient for assessing the effectiveness of corporate governance:

Indicators reflecting the degree of compliance with corporate governance principles in the company:

Level of shareholder rights protection;

Level of involvement of interested parties, degree of information disclosure;

Level of anti-takeover measures;

Quality of company management;

Quality of audit conduct and financial reporting formation.

Indicators characterizing the results of the company's financial and economic activities: Dynamics of sales volume; Dynamics of profit from ordinary activities before taxation; Dynamics of statutory capital; Dynamics of return on equity capital; Dynamics of labor productivity of management staff; Dynamics of dividend yield; Dynamics of dividend payout ratio; Dynamics of the company's market capitalization. [23, c. 146-147];

Indicators reflecting the risks of corporate governance:

Level of risk of dilution of shareholders' stake in the statutory capital;

Degree of justification for introducing transfer pricing;

Probability of bankruptcy;

Risk level of company reorganization;

Risk level of changing the corporate structure of the company (incomplete consolidation of holdings);

Risk level of absence of minority shareholders' representatives on the board of directors;

Risk associated with state participation in joint-stock companies as a shareholder.

Corporate governance should ensure the protection of shareholders' rights, equal treatment of all shareholders, including small and foreign ones. The methodology evaluates whether the company's corporate governance ensures the protection of fundamental rights of shareholders, as defined in the OECD Principles of Corporate Governance, including voting rights (participation in general meetings of shareholders) and rights to receive dividends.

To understand the company's policy regarding shareholders, the company's articles and other internal documents open to shareholders are studied. Based on surveys of analysts professionally engaged in researching the company's activities, it is determined whether there are artificial barriers to shareholders' participation in general meetings. Several questions relate to dividend payment practices [25, c. 113].

Therefore, corporate governance of an enterprise is a system of relationships that regulates the rules and procedures for making management decisions related to the activities of the enterprise and conducting control procedures, as well as the distribution of rights and responsibilities among its departments. Its effectiveness lies in enhancing the competitiveness and profitability of the enterprise by ensuring a balance of influence and equilibrium among the participants in corporate relations,

financial transparency, and the implementation of effective management rules and proper financial control [28].

The main indicators of corporate governance effectiveness in an enterprise are those that reflect the degree of compliance with corporate governance principles within the company, characterize the results of the company's financial and economic activities, and reflect the risks of corporate governance [29].

Corporate governance is the aggregate of actions by managers and shareholders of the equity capital, acting within the framework of current legislation and ensuring the process of attracting financial and labor resources and their effective use to satisfy the interests of all participants in corporate governance through appropriate distribution of created value.

The process of corporate governance primarily involves formulating strategy, defining goals and objectives of the organization's activities, planning and forecasting current and future activities, issues of control and monitoring of activities, motivation of its personnel, and so forth. All of the above pertains to the functions of corporate governance.

The domestic model of corporate governance is analogous to those of foreign countries. The formation of a domestic model has already occurred, and its main characteristic features have a generally accepted nature. Evidence of this lies in the peculiarities of global models (Anglo-American, Western European (German), and Japanese).

There is no single model of corporate governance that operates in all countries. However, there are established standards applied in various legal, political, and economic contexts. Based on these standards, rating agencies, consulting firms, and research centers develop information-analytical products that characterize the quality of corporate governance both in individual companies and in the country as a whole.

The increasing likelihood of crises in economic systems at various levels necessitates the study of the functioning and development of economic entities. For the realities of business activity in Ukraine, characterized by the presence of various forms of ownership, high levels of competition, commercial espionage, and other manifestations of business criminalization, ensuring the security of enterprises becomes paramount. Therefore, in the system of corporate governance of an enterprise, financial-economic security can be characterized as the degree of protection of financial interests at all levels of financial relations. At the same time,

the organization of financial-economic security management of an enterprise must comply with the principles of quality corporate governance.

Typically, in a market economy, the activities of economic entities are aimed at obtaining the maximum possible economic benefit, which is reflected in financial results. The financial result reflects all aspects of a company's activities - the level of its technologies and production organization, control over expenditure, etc. The financial result of a company's economic activities, presented in the form of profit or loss, reflects the effectiveness of its operational, financial, and investment activities and serves as the main criterion for the business entity's strategy [43].

The liquidity of the balance sheet is determined by the degree of coverage of the enterprise's liabilities by its assets, the term for converting which into cash corresponds to the term for the repayment of liabilities. The faster a particular type of asset can be converted into cash, the higher its liquidity. Cash is the asset that possesses absolute liquidity. Translated into English:

"Liquidity of the balance sheet is determined by the degree to which the company's liabilities are covered by its assets, the term for converting them into cash corresponding to the term for liability repayment. The faster a particular type of asset can be converted into cash, the higher its liquidity. Cash is the asset that possesses absolute liquidity." [44].

Regarding assets that are slow to realize, they fully covered long-term liabilities. The condition of covering constant liabilities with assets that are difficult to realize was fulfilled, which is a positive phenomenon. The last of the three conditions was met, indicating non-compliance with the minimum requirement of financial stability.

Since current liabilities have different repayment terms, and current assets have different degrees of liquidity, various coefficients are used to assess liquidity based on their content and purpose. Overall, it should be noted that there are several factors influencing the liquidity of the balance sheet, including its increase or decrease (рис. 2).

Therefore, a very important step is to consider possible directions for improving the liquidity and solvency of the enterprise.

In financial terms, business activity is primarily manifested in the speed of turnover of its assets. The concept of business activity is quite broad and encompasses practically all aspects of the enterprise's operation. Indicators of

business activity reflect the efficiency of using financial resources. Business activity shows the level of efficiency in using material, labor, financial, and other resources. [29]. Concurrently, it characterizes the quality of management and the potential development opportunities of the enterprise.

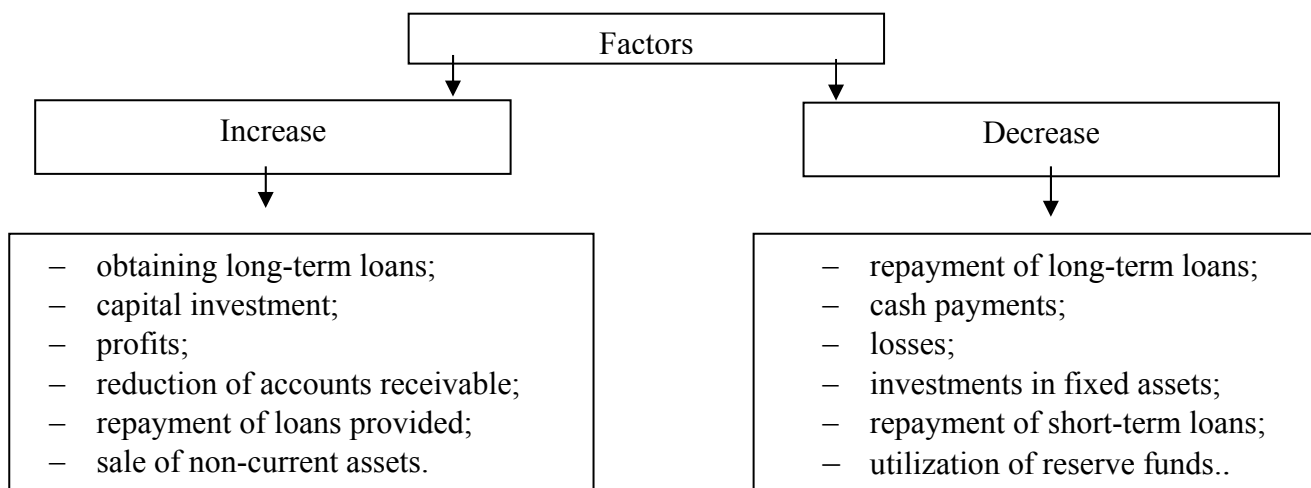


Fig. 2. Factors affecting the liquidity change of the enterprise's balance.

The overall rating takes into account all the most important parameters (indicators) of the financial, economic, and production activities of the enterprise, i.e., its business activity as a whole. Such an assessment can be obtained through various methods using different criteria. In the process of the diploma research, the value of a specific indicator was calculated, synthesizing certain aspects of the research object's activity based on the mathematical processing of a system of individual indicators.

Tracking quite sharp changes in indicators from year to year, it can only be said that the enterprise as a whole works towards results, but its strategy for achieving them is not perfect. Perhaps each year, the management develops and compiles a new budget, choosing a completely different strategy for its achievement, thus lacking its own consistent strategy. Or perhaps adverse weather conditions ruin the plans made, thereby increasing costs and causing losses to the enterprise. It is clear only that it is necessary to radically review the management style and analyze the enterprise's activities over the past five years, perhaps even involving external specialists to develop an appropriate plan to ensure effective operations and future development of the enterprise.

The presence of external and internal threats necessitates ensuring the economic security of any enterprise. Therefore, it is advisable for large enterprises to

establish an Economic Security Service (ESS). This is an internal structural unit, the main function of which is to develop a complex of organizational and managerial, regulatory, technical, preventive, and propaganda measures aimed at protecting the economic interests of the enterprise from internal and external threats [35].

Financial security occupies a special place in the overall enterprise security management system and represents its most important functional component, ensuring the implementation of management decisions predominantly in the financial sphere of enterprise activity.

Based on the size and scale of production, there is no Economic Security Service. However, a list of duties regarding the provision of financial-economic security is determined by job instructions, which are carried out by the chief economist of the enterprise under the management of the enterprise's leader.

Normative documents that define the organization of enterprise security service activities highlight specific objects that require protection from potential threats and unlawful encroachments. The main security objects are:

Personnel (manager; personnel with commercially sensitive information);

Material assets and financial resources (buildings, structures, equipment, transport, cash, financial documents);

Information resources with restricted access;

Means and systems of enterprise activity computerization;

Technical means, security, and protection systems for material and informational resources.

Let's assess the level of financial security for each component.

For the financial component analysis, we will conduct an analysis of financial sustainability, the degree of which is determined based on the adequacy of working capital (own or borrowed) for production and sales activities.

The actual level of ecological, technical-technological, and power components almost corresponds to the maximum. This phenomenon has a positive trend, indicating that the enterprise is addressing a number of issues that significantly affect the level of economic security.

By "organizing the management of financial and economic security of the enterprise," we should primarily understand the formation of its organizational structure (determining the composition of management entities and their interrelationships) and the distribution of tasks, powers, and responsibilities among



individual management links [23].

The organization of economic security in the activities of business entities begins with the development of the respective viewpoint of the subject regarding its own security, based on which the security system is subsequently built. Typically, the development of this viewpoint is formalized as the Security Concept of a particular subject. Usually, the Concept is adopted by the higher governing body of the business entity. As a document, the Concept includes a characterization of the market, peculiarities of the subject's activities in it, potential threats, the main goal and objectives of security, the composition of security forces and their functions, the structure of the security system, forms of its activities, types and procedures for ensuring the fulfillment of security tasks, among other issues [26].

The issues related to financial and economic security of the enterprise are addressed by the chief economist.

Therefore, the main organizers of security are the manager and the chief economist. Regarding security matters, their functions include:

Defining the purpose of ensuring the enterprise's security, its main tasks, and directions for concentrating efforts.

Creating favorable conditions for the operation of security forces in accordance with their functions.

Monitoring the effectiveness of the security system's functioning.

The chief economist is the direct organizer of security measures during the enterprise's activities. They are responsible for organizing and effectively implementing security measures, as well as timely informing the management about emerging threats.

Thus, the enterprise has chosen a fundamental approach to organizing financial and economic security management - without creating a specialized unit. In such a case, coordination problems often arise in the work of the entire enterprise and its structural units regarding the protection of its financial and economic interests, as well as the delineation of duties, powers, and responsibilities in the field of financial and economic security.

The organizational structure of financial and economic security management of the enterprise is determined by the composition, interrelations, and subordination of organizational units (specialists) of the management apparatus, which perform various functions in managing the financial and economic security of the enterprise.

The organizational structure of financial and economic security management of the enterprise constitutes the unity and interconnection of its levels and units.

A unit of financial and economic security management of the enterprise is a separate body (employee) endowed with management functions, the ability to implement them, and responsibility.

The level of financial and economic security management of the enterprise reflects the totality of its units at a certain level in the hierarchy of management. Organizational support for financial and economic security management is an interrelated set of internal functional services and units of the enterprise that develop, adopt, and implement management decisions ensuring the protection of its financial and economic interests. Figure 2.3 depicts the general scheme of the process of organizing financial and economic security, which encompasses measures that can be either sequential or simultaneous.

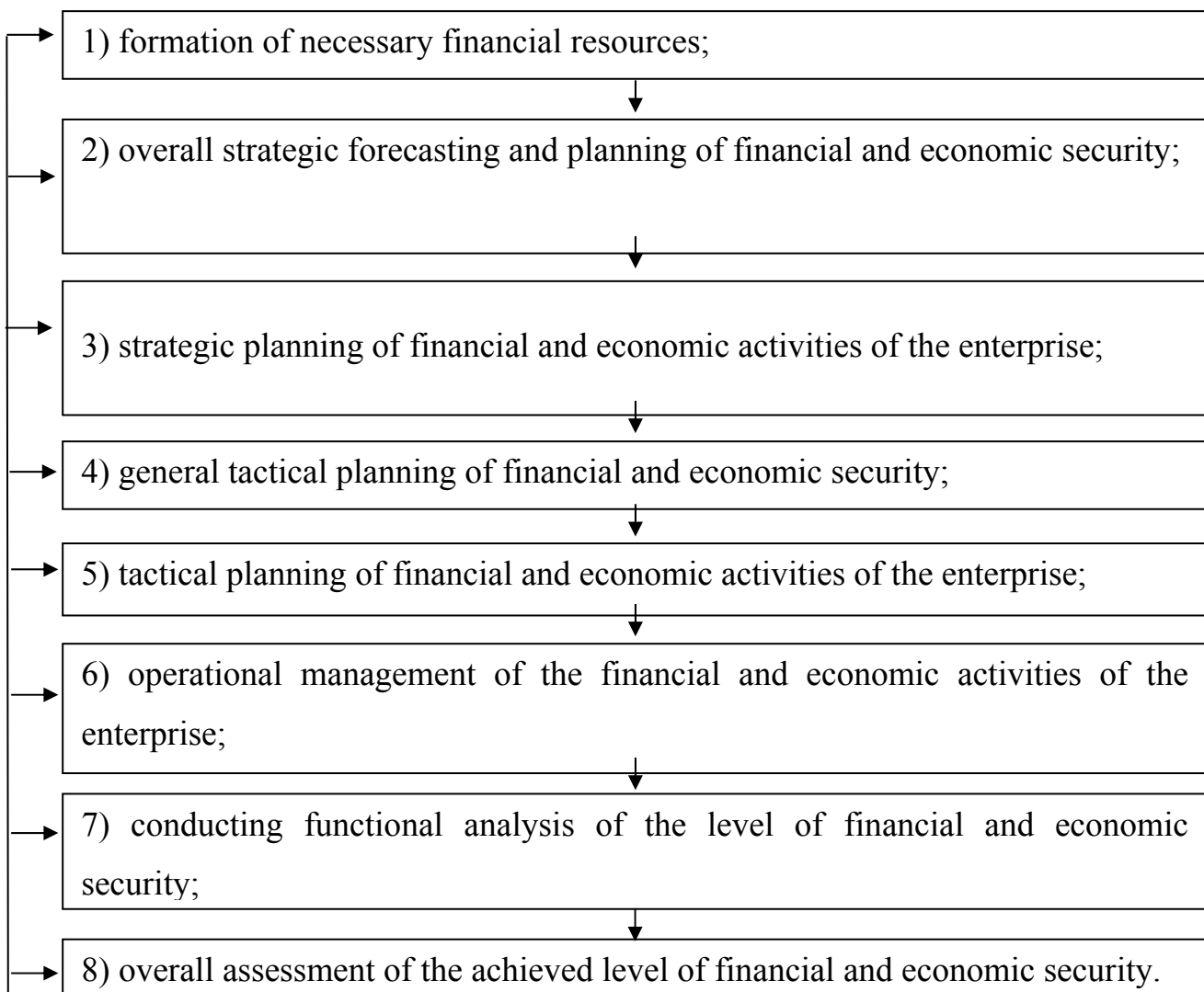


Figure 3. General scheme of the financial and economic security organization process

The organizational structure of financial and economic security management of the enterprise constitutes the unity and interrelation of its levels and units.

A unit of financial and economic security management at the enterprise is a distinct body (employee) endowed with functions of management, the ability to implement them, and responsibility.

The level of financial and economic security management of the enterprise reflects the totality of its units at a certain level in the hierarchy of management.

The organizational provision of financial and economic security management is a related set of internal functional services and divisions of the enterprise that develop, adopt, and implement management decisions to protect its financial and economic interests.

Figure 3 depicts a general scheme of the process of organizing financial and economic security, which encompasses actions that can be either sequential or simultaneous.

Only by implementing the necessary scope of these actions (measures) can the enterprise achieve an adequate level of financial and economic security.

The practical implementation of organizing financial and economic security management at the enterprise is entrusted to the chief economist, whose main task is to ensure the proper level of financial and economic security in each component. [24].

Let's consider in more detail the directions of organizing the financial and economic security of the enterprise according to individual functional components.

The financial component, which is considered to be leading and decisive, as finances are the "engine" of any economic system under market conditions. In the process of assessing the current level of ensuring the financial component, it has been concluded that the level of financial security is absolute, as evidenced by all calculated indicators with positive values. The enterprise has sufficient working capital for its functioning.

The intellectual and personnel component - the proper level of financial and economic security largely depends on the composition of personnel, their intellect, and professionalism [25].

The level of intellectual security at the enterprise is between inadequate and satisfactory. It can be said that the development or creation of innovative products or assets in the future will significantly increase the level of intellectual security at the

enterprise and economic security as a whole.

Regarding personnel security, the enterprise has a significant number of employees who are physically older and have outdated qualifications. This phenomenon has a negative impact and reduces the level of personnel security at the enterprise. This may be due to poor personnel management, lack of funds for the remuneration of certain categories of personnel of the enterprise, or their irrational spending.

Table 2

Main Directions of Organizing Financial and Economic Security of the Enterprise by Components

Component	Direction of the organization (goal)
Financial	Achieving the most effective utilization of corporate resources.
Intellectual and Personnel	Preservation and development of the enterprise's intellectual potential.
Technical-Technological	The degree of conformity of the technologies used at the enterprise to modern world analogs in terms of resource cost optimization.
Political-Legal	Comprehensive legal support of the enterprise's activities, compliance with current legislation.
Informational	Effective information and analytical support of the enterprise's business activities.
Ecological	Compliance with current environmental standards and minimization of losses from environmental pollution.
Power	Ensuring the physical safety of employees of the company, especially executives, and the preservation of its property.

The process of planning and managing personnel aimed at ensuring an adequate level of economic security should cover the organization of a system for selecting, hiring, training, and motivating necessary employees, including material and moral incentives, the prestige of the profession, the desire for creativity, and the provision of social benefits.

The process of protecting technology and technological equipment is generally satisfactory. The enterprise is well-equipped with technological equipment that meets the highest state standards and has 43% of production protected by patents.

From a political-legal perspective, it is evident that the enterprise has an absolute level of security.

The informational component of the enterprise has an average level of organization and requires separate intervention.

The ecological component highlights the problem of environmental protection of society from economic entities engaged in industrial-commercial activities. This can only be addressed through the development and strict adherence to national (international) norms for the minimum permissible content of harmful substances released into the environment, as well as compliance with the ecological parameters of the produced goods. [22, c.45]. Overall, the enterprise has a satisfactory level of environmental security.

The actual level of ecological, techno-technological, and coercive components almost corresponds to the maximum. This phenomenon has a positive trend, indicating that the enterprise is addressing a number of issues that significantly affect the level of economic security. As for the informational, personnel, and intellectual components, their significance somewhat differs from the maximum, which generally adversely affects the overall level of economic security. It is necessary to pay attention to these components of security, study them in more detail, identify, and prevent the emergence of new factors that may reduce the level of economic security in the future, as the outcome of the enterprise's activities depends on it.

After analyzing the overall state of financial and economic security of the enterprise and its individual components, the following conclusions can be drawn. Overall, the enterprise has only begun to work in the field of financial and economic security and is increasingly dedicating time to it. However, currently, the organization of financial and economic security is at an average level. There are certain deficiencies and gaps that can be avoided in the future work process, but to do this, it is necessary to develop a specific strategy tailored to this particular enterprise. Therefore, based on the experience of successful global firms, we will build a certain concept of action to achieve better performance, applying specific methods of corporate governance.

The process of managing financial and economic security is based on a certain mechanism. The mechanism of enterprise security management is a set of basic elements influencing the process of developing and implementing management decisions to ensure the protection of its financial interests from various threats.

Thus, managing financial and economic security of the enterprise as a particular kind of relatively autonomous management subsystem that requires improvement. Based on the conducted research, ways to ensure the financial and economic security of the enterprise have been proposed.

Organizing the system of economic security of the enterprise is a complex of measures of various directions for various types of enterprise activities aimed at protecting its interests from the negative influence of external and internal environment factors.

Indicators of the functional state of basic assets indicate that there is a need to optimize the composition of technical means at the enterprise.

The main part of the income of the enterprise is received from operating activities. During the studied period, there was also an increase in the total amount of expenses for production, general expenses, administrative expenses, due to the increase in prices for seeds, fuel and lubricants, means of plant protection. This leads to a decrease in net profit.

The financial condition of the enterprise is quite ambiguous. Tracing quite sharp changes in indicators from year to year, it can be said only that the enterprise is generally working towards results, but its strategy is not perfect.

The analysis of the components of economic security indicates that the enterprise generally has an average level of economic security. Components such as financial and political-legal are at a high level. The actual level of ecological, technological, and coercive components almost corresponds to the maximum. As for the informational, personnel, and intellectual components, their significance somewhat differs from the maximum, which generally adversely affects the overall level of economic security.

Therefore, diagnosing the activities of the enterprise in the system of its financial and economic security allowed for a systemic analysis of the environment of its functioning through interdependent and complementary indicators that reflect the level of utilization of the enterprise's potential and the assessment of the level of security. The results of the diagnosis are the basis for making appropriate management decisions and a relevant framework for improving in the future.

Therefore, the development of strategic and operational planning, forecasting, analysis, monitoring, control; determining the parameters, methods, and tools for conducting financial diagnostics, and timely response to changes in indicators of the state of financial security and bringing them to regulatory norms will ensure effective management of financial and economic security at the enterprise.

The need to develop a concept is driven by several factors that negatively impact the level of security in modern conditions, namely:

Imperfect legislative framework, which hinders effective resistance to unfair competition.

Lack of purposeful state fiscal policy and inefficiency of the tax system, which largely suppresses production instead of creating conditions for its development.

Absence of favorable conditions for conducting scientific and technical research and innovation processes that would contribute to increased production efficiency.

Insufficient level of development of the management system, characterized by two opposite but equally disgraceful tendencies: on the one hand, the use of outdated management methods and models, and on the other hand, attempts to directly transfer modern Western management concepts to domestic practice without considering national experience and peculiarities of the domestic economic space.

The concept of economic security of the enterprise should be a response to these negative conditions and lay the foundations for effectively countering them.

The concept of economic security is a system of views on the problem of security of the business entity at various stages and levels of production and commercial activities, as well as the main principles and directions of implementation of measures to achieve economic security. Its main components, in our opinion, should include: economic interests and goals; threats to economic security; criteria for assessing economic security; principles, objectives, and tasks of management functions in the system of managing the state of economic security; main directions of countering threats to economic security [11].

Clarifying economic interests is essentially the starting point for building a system to manage the state of economic security of an enterprise, as they shape the directions of development of all economic activities and serve as motivating factors.

To ensure effective protection of various economic interests, they need to be clearly defined during the formation of the management system. During the development of this stage, it is necessary to:

Identify the composition of the main economic interests of the enterprise and group them according to their level of significance to highlight the main economic interest, priority interests, and interests of secondary importance, focusing mainly on formulating those that have a priority character.

Translate the main and priority economic interests into specific goals, both qualitatively and quantitatively. It is important to keep in mind that, on the one hand,

economic interests are a manifestation of the objective needs of the enterprise in various areas of economic activity, and on the other hand, to some extent, they are subjective because they are inseparable from the subjects who exercise control over the enterprise and have the prerogative to shape them. [26].

Therefore, senior management is tasked with a significant responsibility during the formulation of goals for the management system to fully consider both the objective needs for the secure development of the enterprise and the necessity to satisfy the interests of various stakeholders, directly or indirectly associated with its activities, such as investors and employees.

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## ***SECTION 6. FINANCIAL AND CREDIT SUPPORT FOR INNOVATIVE DEVELOPMENT OF AGRO-INDUSTRIAL PRODUCTION***

### **6.1. GLOBALIZATION ASPECTS OF DIGITALIZATION OF THE BANKING SECTOR**

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**Summary.** The main direction of the evolution of the global economy nowadays is digital transformation. The implementation of the digital economy in various countries requires, on the one hand, the adoption of legislative acts regulating the standardization and protection of digital technologies, and on the other hand, the search for new management and business models based on the use of digital technologies for storing, processing and transmitting information. In the last few years, the process of digital transformation is gaining momentum, and banks must actively invest in digital technologies in order to remain competitive. The application of technological solutions to increase flexibility and resilience becomes extremely important in this context. In this regard, banks are actively conducting digital transformation, switching to new business models and implementing digital banking services.

The results of the study: the current state of digital banking services was analyzed, the main directions of using artificial intelligence in the banking sector were considered, it was determined that one of the most popular digital services provided by Ukrainian banks is contactless payments, it was established that the most common type of innovative banking products on the domestic market is mobile banking, focused attention on the main challenges and risks arising as a result of the digital transformation of the banking sector, proposed a number of measures to minimize the risks caused by the digital transformation and for the successful development of the banking sector in the future.

**Key words:** digitalization of banking services, artificial intelligence, innovation, digitalization, banking sector.

The success of the digital economy in the country requires the opportunity to pay special attention to the digital development of the financial sector of the economy and its component - the banking system. Since economic growth is impossible without an effective and reliable banking system, the digitization of banks, which guarantees the functioning of the economy, is a necessary condition for the formation of the digital economy of Ukraine.

The process of digital transformation in Ukraine objectively stimulated the rapid development of banking institutions, which are the central link of the market system of regulating economic relations. It is worth noting that banking is an integral part of modern world civilization, a powerful productive force that accumulates huge financial resources and redistributes them throughout the economy, ensuring the continuity of the reproductive process and thereby multiplying the material and spiritual wealth of society. Therefore, taking into account the priority directions of the formation and development of the world economy, research on the transformation of the banking sector in the conditions of the digital economy is important and relevant.

Digitization is an important direction of development for all sectors of the Ukrainian economy, including the banking sector. In the conditions of growing competition, digitalization can contribute to expanding the client base, increasing the market share of banking services, reducing costs, and increasing the financial stability and security of banks.

Digitalization in the banking sector means the implementation of a system of measures aimed at increasing cooperation with fintech startups, expanding the client base and increasing the competitiveness of banks in order to achieve long-term strategic goals. This strategy is related to the introduction of innovative approaches to conducting banking business and new products and services.

Digitization is the process of introducing and using digital technologies in various spheres of life, including the banking sector. The main essence of digitalization is the transformation of traditional business processes and services into a digital format, which contributes to the growth of productivity, improvement of service quality and ensuring competitiveness.

For domestic banks, digitalization requires flexibility, the search for new opportunities, and the effective use of resources to achieve goals with minimal costs [1].

Increasing benefits from mutually beneficial cooperation with fintech startups, which is the main goal of digitalization of banking operations, can be achieved only if the Board of Directors effectively coordinates the work of all key divisions of the bank:

- operational and technological (identification and satisfaction of needs for new products and services, optimization of the branch and branch network, introduction of new equipment and the latest technologies);
- marketing - selection of markets, products and services;
- personnel - determination of the need for qualified personnel and their timely provision;
- financial - determining and ensuring the need for financial resources for digitization.

The process of providing banking services is undergoing changes due to the development of information technologies, the global spread of access to the Internet through mobile devices, and the development of digital services. For a long time, the banking sector was considered conservative in the application of modern technologies.

However, modern banks and financial institutions cannot escape the influence of technological development. This is due to a significant increase in competition between financial companies and startups directly engaged in providing banking and other financial services.

In the banking sector, digitalization is of great importance and affects it in many aspects:

- Improving accessibility and ease of service - digital technologies allow banks to provide their services through online platforms and mobile applications, which provides customers with the opportunity to carry out financial transactions at any time and in any place.

- Optimization of internal processes – digitalization allows automating many routine operations in the banking sector, which contributes to increasing efficiency and reducing costs.

- Development of new products and services - digital technologies open up new opportunities for the creation of innovative financial products and services, such as mobile payments, smart banking applications, investment works and others.

- Increased security – digitalization also allows banks to improve their cyber

security systems to protect customers' financial data and personal information from cyber attacks.

- Analytics and data collection capabilities – digital technologies enable banks to collect and analyze large volumes of data about their customers, allowing them to better understand their needs and respond to market changes in a timely manner.

In general, digitalization plays an important role in the development of the banking sector, helping banks to adapt to modern requirements and challenges, providing faster, more convenient and innovative service to their customers.

The use of digital technologies in banking allows banks to improve the quality and profitability of not only banking, but also related processes, such as human resources management, analytical activities, and information security [2, p. 79-87].

It is worth noting that financial technologies do not change the nature of banking activity, but rather influence the approach and direction of the organization of banking activity, improving the processes of interaction between the bank and the client in the main areas of banking activity, such as:

- attraction of deposits and placement of funds in credit and investment operations;
- opening and maintenance of bank accounts;
- financial technologies aimed at supporting the market of banking services without affecting the interaction between banks and clients.

Therefore, the use of digital technologies in banking today is objectively necessary and of great importance. Most banks have formulated and implemented their own digital development strategies, which provide financing for high-tech digitization projects and contribute to achieving high performance in both financial and socio-economic activities at the global level.

Many digital technologies are not directly related to banking and most of them can only be used to support the banking market, but many of these technologies would not exist without banks because they retain the key advantage of being directly involved in the movement of funds.

Therefore, for the successful digitization of banking services, it is necessary to provide legal support for the functioning and digital transformation of the banking system in the conditions of the development and spread of the digital economy [3, p. 25-29].

The dynamically changing business environment forces banks, as full-fledged

participants in the financial market and financial services market, to transform and become initiators of innovative processes in their organizations. It is natural that these processes do not arise spontaneously, but must be systematically implemented within the framework of the formulated innovative strategy, which is part of the general strategy of the development of the banking system.

Table 1 shows a comparison of classical banking processes and innovative processes of sustainable development of digital banks.

Table 1

Comparison of a classic bank with a digital bank

Classic bank	Digital bank
All information and understanding about the client is concentrated in a specific point of service, namely in the bank branch	The basis for accumulating information about the client and his experience is the client himself
The point of interaction with the customer starts at the bank branch or central office	The client has the opportunity to independently choose how it is more convenient for him to start communication with the bank, without necessarily visiting a branch or central office
It is important to take into account how far away the branch or central office of the bank is located, since the client must be able to conveniently reach these places in person	The location of the client can be anywhere, and the distance to the branch or central office of the bank is not important
Digital services are an extension of the services provided in the branch where the customer receives service	Digital services form the basis of the customer service model, regardless of the location of branches
Products and services have a standard format	Products and services are adapted to the requirements and needs of customers
The level of knowledge about the customer and the quality of service may vary depending on the method of communication	Customer experience and knowledge across all service channels is gathered in one central point

Table 1 shows that while traditional banks provide services to customers in bank branches, neobanks can provide services to customers without direct contact with them, which is a key feature of digital banking [4, p. 177-184].

Digital banking is the provision of financial services through mobile and online platforms, which includes telephone banking, terminal banking, internet banking, television banking and which began to develop during the period when electronic banking appeared and was actively developing. With the help of smartphones, service channels such as mobile banking have emerged, including personal payments and money transfers.

However, digital banking is no longer about digital channels of communication with customers, but about digital products that meet customer needs around the clock.

Digital banking is more than just a paperless service. The deployment stage of the digital banking model is characterized by the emergence of such communication methods as mobile feedback through banking web applications, social media platforms and two-way video communication with customers in stores, branches and self-service facilities.

The main advantages of digital banking for consumers who use banking services are as follows:

- 1) simplification of financial transaction procedures and elimination of paper document flow;
- 2) introduction of new tools, such as P2P lending, crowdfunding platforms, financial advisor robots, cryptocurrencies, etc.;
- 3) 24-hour access to services;
- 4) relevance of services;
- 5) lower service costs and commissions than in branches; and
- 6) a wide range of services;
- 7) the possibility of constant access and control over accounts;
- 8) higher interest rates on savings accounts;
- 9) modern interface and clear format;
- 10) high standards of service and the possibility of serving conflicted customers with the help of non-emotional and polite robots-consultants;
- 11) the speed of operations and the possibility of setting up automatic payments;
- 12) Ability to withdraw and deposit cash at ATMs accepting Visa and MasterCard cards worldwide without any fees.

However, in today's fast pace of life, when time is always lacking, we believe that the most important advantage of digital banking is the speed of financial transactions and round-the-clock banking service with a high level of financial security. Based on innovative technologies, digital banking can function and create modern banking services, striving for constant improvement and expansion, taking into account the needs of users.

It should be noted that, despite the advantages, such services are accompanied by some disadvantages that can negatively affect the banking sector and the economy of a particular country. The main disadvantages include the following:

- 1) unavailability in the absence of Internet or mobile communication;



- 2) lower prices on the market for these services;
- 3) increased competition;
- 4) decrease in operating profits;
- 5) inability to regulate the flow of funds.

In addition to these disadvantages, it should be noted that any user who uses online banking services is at risk of losing money due to virus attacks or failure to use strong passwords to access bank accounts. In other cases, overloading of systems can cause technical failures, and financial transactions can last hours or even days [5, p. 96-103].

The transformation of a classic bank into a dynamic digital banking system, aimed at the gradual formation of the direction of its competitiveness, has the following key stages:

- 1st stage – competition of functionality of digital platforms;
- 2nd stage – directions of competition in the digital bank;
- 3rd stage – spread of digitalization to all divisions of the bank.

Only if all three stages are followed, a full digital transformation of a classic bank to a digital one is ensured [6, p. 29-39].

Modern banks operate in conditions of rapid and irreversible global changes in technology, increased competition in the financial services market with the participation of non-banking organizations, changes in customer behavior and state regulation.

As a result, commercial banking institutions and their operating model that functions today cannot remain unchanged in the future. Banks will be forced to use digital technologies to develop innovative products and services that will help banking institutions remain competitive and meet customer needs in today's world.

Interrelationship of digitization and innovation processes within the framework of globalization transformations of the banking sector

The main areas of interaction between digital technologies and traditional banking services are determined by the following factors:

- customer orientation – the bank's main asset is its customers, not the products and services they consume;
- omnichannel – in the conditions of digital transformation, all communication channels between the client and the bank are of equal value;
- digital marketing – modern marketing technologies are moving from offline

to online;

- segmental approaches – more and more efforts are being made to research target groups and consumer behavior in relation to banking products and services;

- personalized product offers - to attract customers, it is necessary to "adjust" them to their needs;

- remote service - customers are ready to communicate with the bank online in the most convenient way for them and expect a personalized approach [7].

Today, the interconnection of digital technologies and banking services has led to the emergence of innovative products and services. Typical examples of innovative banking products in the country are:

- 1) Mobile Banking – Mobile phones allow users to carry out most transactions through their own accounts, and banks offer a wide range of services such as checking account balances, payments, money transfers and peer-to-peer lending. Experts believe that within a few years mobile phones will replace plastic cards as a means of payment. NFC chips in mobile phones will be used to identify customers, so banks will be able to identify customers using only their mobile phones, eliminating the need for passports. This trend is already being observed in the American and European markets, where customers can also be identified by email address;

- 2) Internet banking is an important innovation of the next decade and is currently offered by most banks to their customers. Although Ukraine is among the top 10 European countries in terms of the number of users, there is potential for a significant increase in the number of Internet users in the future due to the low level of penetration in the region. Therefore, experts focus on the development of remote banking;

- 3) "Zona 24" - this product allows customers to independently manage their accounts, receive consultations from call center specialists, submit service requests and applications for receiving services at any bank branch. Almost all "Zona 24" ATMs are equipped with CashIn cash replenishment modules and telephones for accessing information services. This direction of banking activity continues to develop;

- 4) Electronic balances – provision of this service at bank cash registers reduces the costs of coin circulation, allowing balances of less than one hryvnia to be credited to the client's mobile phone account or in the form of electronic coupons;

5) POS terminals in retail chains led to a global revolution in the cashless sphere in Ukraine, as well as in Western countries.

To promote the development of digital banking services, it is important to implement a digital development policy in the national banking system, aligning it with global trends in digital development. This policy may cover such aspects as:

- integration of banking processes;
- standardization of banking and telecommunications equipment, software, services and tariffs;
- access to banking data and services;
- security of banking information.

The policy will contribute to increasing the efficiency of digitalization of the banking sector, simplifying the transition to digital banking products and services, as well as increasing the competitiveness of banking institutions [8, p. 124-128].

The Ukrainian banking sector is gradually adapting to digital technologies, which leads to significant changes in service models. The emergence of "neo-banks" as a new form of banking activity is associated with the significant progress of Internet technologies and the growth of their popularity among a new generation of consumers who actively use smartphones in their daily lives and prefer remote management of their own finances.

Internet banking has successfully captured a large part of the market because it offers its customers valuable advantages compared to traditional banks: from reduced fees to the ability to open and manage accounts without visiting a bank branch.

Today, the expansion of the use of electronic channels for the provision of banking services (Internet banking, mobile banking) is the main trend in the development of the market for innovative banking services. As a result, the number of neobanks is gradually increasing in Ukraine, which provide functionality on par with traditional banking structures, while allowing the bank to save on costs in the absence of physical branches.

As of January 1, 2023, non-banks such as O.Bank, A-Bank, TodoBank, Izibank, Sportbank, and Monobank are actively developing and operating in Ukraine. Some banks have their own online platforms, namely: Oschad 24/7, Privat24, iPUMB, UniCredit Online.

The ranking of the largest neobanks of Ukraine in 2022 is presented in Table 2. Table 2 shows that clients rated Monobank's digital services the highest.

Another of the most popular digital services in Ukrainian banks is contactless payments using contactless cards and NFC devices such as smartphones.

In 2023, the trend towards an increase in the number of contactless active payment cards was maintained compared to the previous year: in December 2023, the number of these cards increased by 17.1% compared to December 2022, reaching 30.6 million. In total, more than half (58.7% ) of all active payment cards are contactless. Thus, in December 2023, the number of contactless cards increased by 57% compared to December 2022, reaching 12.4 million, which means that almost every fourth active payment card is tokenized (compared to only every sixth at the end of pre-war 2021). As a result, in 2023, about 90.0% of the number and value of cashless transactions in the retail network were made using contactless payment technologies and NFC [9].

Table 2

Rating of the most popular digital services in Ukraine in 2022

Criteria		Rating assessment				
		Monobank	PrivatBank (Privat24)	Sense Superapp	Raiffeisen online UA	Neobank to all
Ability to create virtual cards	IOS	1	1	1	1	1
	ANDROID	1	1	1	1	1
The possibility of investing in Ukrainian securities (government bonds, bonds, shares)	IOS	1	1	1	1	0
	ANDROID	1	1	1	1	0
Ability to connect the card to ANDROID PAY		1	1	1	1	1
Customer rating (APPSTORE)	IOS	4,9	4,8	3,2	4,7	4,8
Customer rating (PLAYMARKET)	ANDROID	4,9	4,8	4,2	4,2	4,5

Analyzing the distribution of non-cash transactions in Ukraine by type, it can be seen that in 2023, as before, the vast majority of transactions will be carried out using payment cards:

- by the number of transactions, payments in the trade network accounted for about 70% (about 5 billion transactions), which is 40.4% of non-cash transactions;
- in value terms: card-to-card transfers - 37.1% (1,478.6 billion UAH). Their number is 10.1% of all non-cash transactions.

In 2023, payment for goods and services via the Internet accounted for 18% of non-cash transactions using payment cards by volume and 16% by value. This

amount corresponds to UAH 646.5 billion.

Another new trend in the digitalization of the Ukrainian banking sector is the biometric identification of customers. The most innovative customer identification technologies in Ukraine are:

- fingerprints (verification through the "Oschad 24/7" mobile application);
- facial recognition (FacePay24 from PrivatBank).

The corresponding features are also available on tablets and smartphones to meet consumer demand and EU regulatory requirements for strong authentication. It is widely recognized that banks can integrate digital innovation by partnering with fintech companies. Although they are competitors, the most effective strategy in the relationship between banks and fintech companies is to use various options of cooperation rather than competition. This is confirmed by the results of a recent MasterCard survey, which showed that almost 90% of global banks and 75% of fintech companies are considering the possibility of future cooperation, 58% of bankers are considering the possibility of introducing fintech innovations, and 71% of banks are ready and willing to buy digital solutions. The most vivid and modern fintech products of cooperation between banks and fintech companies are presented in Appendix B [10].

Current trends in digital banking include using information from various sources, such as news, social media, AI-based bots, etc., to gather data about individual customer needs. Financial marketers can use this data and advanced analytics to provide personalized services and meet the needs of their customers.

The development and implementation of artificial intelligence in the banking system is a complex and lengthy process that can be conventionally divided into the following stages:

1. Research stage (2016-2018): During this period, many Ukrainian banks conducted research and experiments on the use of artificial intelligence. This was mainly related to the automation of routine tasks and data analysis to improve the decision-making process;

2. Early integration (2018-2020): Many banks have started using AI to optimize customer service, detect fraud and improve risk analysis. The use of chatbots for customer service has also become widespread;

3. Development of additional systems (2020-2022): During this period, some banks expanded the use of AI to improve the automation of credit scoring, document

flow and internal control processes. Machine learning and natural language processing technologies have become the standard for many applications;

4. Integration into business processes (2022-2023): commercial banking institutions have actively introduced artificial intelligence into core business processes, such as lending, asset management, risk management and strategic planning. It has expanded opportunities to provide personalized customer service by applying AI-based analytics and forecasting;

5. Expected trends (after 2023): AI is expected to further improve internal processes, provide more productive tools for customer interaction, and develop additional services such as financial advice and investment automation.

Options for the use of artificial intelligence technologies in banking institutions include mainly the automation and optimization of processes (including the reduction of security risks), the generation of insights for decision-making (processing and analysis of large data flows from various stakeholders) and the simulation of human interaction (chatbots, virtual assistants that can imitate real human behavior).

Banking institutions use artificial intelligence algorithms primarily for the following purposes:

- quick accounting of operations, management of data flows (creation of unified information and analytical centers, automation of operations, maximization of relevance of search results);
- detection and prevention of fraudulent schemes and risks (compliance management);
- assessment of customer creditworthiness, planning of resources and reporting (automation of document flow), automation of customer service and marketing, enrichment of information about customers.

The growth of consumer demand for digital services of banks, aimed at facilitating the management of financial aspects of clients, causes the introduction of innovative technological solutions. We can already see an increase in the use of artificial intelligence in the entire financial and banking sphere. For example, the use of chatbots that facilitate customer identity verification and provide a more personalized banking experience, as well as robo-advisors that help customers make the best investment decisions [11], is becoming increasingly common.

It is predicted that banking consumers will constantly demand more personalization, possibly leading to the development of hyper-personalized features.

These features are able to take into account the individual needs of customers based on dynamic real-time signals about their priorities and profile.

Communication with customers is rapidly developing and of great importance. This is explained, firstly, by the bank's need to remain customer-centric, attracting new and retaining existing users, and secondly, by technology that allows working with lower delays and more efficiently than human operators at all times. The use of chatbots provides round-the-clock access to the bank with the fastest possible response, which is important for customers.

This artificial intelligence technology is especially popular among large banks with a large customer base, where constant contact with customers is especially important. Computer robots also perform the following functions:

- communication with clients;
- offer of new services and banking products;
- informing clients about the need to carry out certain operations.

Thus, chatbots can replace employees in mailings, call centers, and even in marketing departments.

Another field of application of AI is the automation of basic processes. Computer technology is best suited for repetitive processes where there are no decision-making steps (such as any calculations). All transactions are transparent and understandable, so banks have the opportunity to optimize and automate their operations, thus reducing costs. Robots also process and sort incoming and outgoing documents. This saves time and allows specialists to analyze previously processed documents.

Although artificial intelligence greatly facilitates communication processes and increases productivity, many banking institutions focus on another function that the technology performs - minimizing risks.

AI allows them to recognize the methods of work used by criminals, including the most unusual ones. By processing the information, AI detects signs of fraud attempts (for example, transactions from different IP addresses and simultaneous transfers of large sums of money).

This technology also helps detect money laundering attempts. Computers are constantly used as an important risk management tool in the banking sector. First of all, the main focus is on preventing crimes in the financial sector. Artificial intelligence encompasses larger databases and allows tracking plans that are beyond

human understanding. This is an undoubted advantage of digitization.

Thus, it can be concluded that the process of realizing the opportunities offered by AI is irreversible at the global level. The digital economy makes it possible to apply modern AI methods in banking services and replace workers with robots to perform many tasks.

However, despite the obvious advantages of using artificial intelligence and digital technologies in the banking sector, the attitude towards this process remains skeptical. Many researchers believe that radicalism about full digitization is unjustified. The effectiveness of artificial intelligence is fully manifested in interaction with people, and not in the complete replacement of human labor by robotic equipment [12].

Globalization has become one of the driving forces of the future world economy, which has a direct impact on the banking systems of the countries of the world. Today, globalization covers all spheres of state activity, including financial markets. One of the main features of globalization is the internationalization of national banking systems. On the one hand, national banks are trying to serve their customers across borders, on the other hand, transnational banks are trying to expand their influence in new markets by deepening their geographical coverage. In today's world of innovative transformations, banking activity goes beyond the scope of providing ordinary banking services and undergoes a process of transformation and adaptation to global trends. In these conditions, banking institutions that have at least one advantage over other banks have the opportunity to enter global markets.

Globalization as a phenomenon reflects a new stage of economic development, characterized by the liberalization of foreign economic relations, the reduction or elimination of international barriers to the movement of goods, services, capital and labor, as well as the intensification of international information exchange.

In the conditions of globalization, it has become common for banks to work without physical branches. Banks are moving online, reducing infrastructure costs and reducing the cost of services, while the costs of maintaining online banking are rising. The main criteria for the operation of banks on the Internet are the provision of support for all functional processes and the possibility of providing maximum functionality without the need to open branches. An overview of the global banking market allows us to single out several of the largest and most popular such banks (Table 3).



Table 3

## The largest investment banks in the world

Name of bank	Country of establishment
JP Morgan	USA, 1799
Barclays	Great Britain, 1690
Credit Suisse	Switzerland, 1856
Deutsche Bank	Germany, 1870
Mizuho Financial Group	Japan, 2003

In recent years, in order to quickly respond to challenges arising in connection with the globalization of the financial system, significant investment resources of domestic banks are directed to innovation and development of automated systems, remote channels and business processes to create a comprehensive system of remote service, which will contribute to the increase competitiveness of banking institutions [13].

The main factors affecting the competitiveness of banking organizations in the modern global environment are:

- level of automation of business processes;
- development of self-service channels (services and functions offered through digital channels);
- processing speed (offline, online, in real time).

Under the influence of these factors, new players and participants in financial markets, including banks, have been affected by globalization and have developed business models that are fundamentally different from traditional business models.

Therefore, globalization processes have a direct impact on the development and operations of the banking system and the financial market in general. All global trends can be successfully adapted to the conditions of Ukraine. However, the main condition for the adaptation of Ukrainian banks to international experience is the need to reform the legal framework in accordance with international standards and their compliance with the modern conditions of functioning of the Ukrainian economy [14].

Under the influence of digitalization, the global banking sector is undergoing significant transformations: customers increasingly use various channels to obtain banking services and interact with banks through new platforms, which leads to an improved customer experience due to the digitalization of banking processes. For

example, the pandemic and restrictive measures have accelerated changes in the payment habits of citizens, in particular leading to the growth of cashless transactions, especially online. Ukrainians are actively switching to cashless payment methods and more often use e-commerce services.

The development and digitalization of the banking sector is the result of the influence of various factors. Among them, 7 key factors play a particularly important role in promoting the digitalization of banking services

It can be concluded that the main factors of the influence of digitalization on the development of banking services are: COVID-19, digital finance, social networks, digital identification, data revolution, improvement of the competitive situation, investment attractiveness [15, p. 14-18].

To determine the expediency of using digital technologies in the development of banking services and its impact on the development of the banking sector, we will conduct a SWOT analysis of the development of digital banking in Ukraine (Table 4).

Table 4  
SWOT analysis of the development of digital banking in Ukraine

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- improvement of work quality;</li> <li>- increase in profitability due to the absence of branch maintenance costs;</li> <li>- improvement of operational activity;</li> <li>- improving the efficiency of the bank's operational management;</li> <li>- reduction of time for the development of innovative products (services);</li> <li>- expansion of the client base (especially young consumers);</li> <li>- increasing consumer loyalty and establishing quick feedback with them</li> </ul>	<ul style="list-style-type: none"> <li>- high cost of digital transformation;</li> <li>- outdated legislation;</li> <li>- limited number of digital specialists;</li> <li>- dependence on technologies;</li> <li>- lack of a digital development strategy;</li> <li>- the need to ensure cyber security;</li> <li>- consumers' distrust of domestic banking commercial institutions;</li> <li>- weak level of ICT infrastructure in a number of regions of Ukraine;</li> <li>- lack of experience and technological knowledge among board members;</li> <li>- weak state control</li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>- emergence of new technological solutions;</li> <li>- development of financial inclusion of the population;</li> <li>- development of digital transformation of the economy</li> <li>- development of a "cashless" economy</li> <li>- spread of digital banking services to rural areas</li> </ul>	<ul style="list-style-type: none"> <li>- cyber attacks and Internet fraud;</li> <li>- technological risks;</li> <li>- errors when performing operations;</li> <li>- underestimation of innovative culture;</li> <li>- strengthening of labor inequality;</li> <li>- increased level of the shadow economy;</li> <li>- errors when performing some operations</li> </ul>

Consequently, most bank executives consider high costs to be the main disadvantage of digital transformation, while at the same time they highlight increased profitability of operations and expansion of the customer base among the key benefits for banks. Therefore, for the successful digitalization of banking services, banks should focus on supporting their strengths [16].

One of the main challenges facing the digitalization of the banking system is low adaptation to the rapidly changing technological environment. Innovative technologies such as artificial intelligence, blockchain, data analytics and the Internet of Things require constant updating of processes and systems on the part of banks. The key is to develop an effective digital transformation strategy that embraces the use of new technologies and ensures compatibility with existing systems.

Another challenge is the need to ensure cyber security. While digital technology brings many benefits, it also creates new threats and risks.

Banks must pay special attention to the protection of personal data of customers and the prevention of fraud and cyber attacks. It is critical to develop effective cybersecurity strategies, improve identification and authentication systems, and train staff on good cyber hygiene practices.

The biggest challenge for the digitalization of the banking sector in Ukraine and the world is high competition between banks and existing fintech companies.

When considering the main policy provisions of fintech companies regarding cooperation with banks, attention should be paid to the following areas:

- SME loans, project financing, mortgages, consumer loans and credit cards;
- fintech policy aimed at providing services to banks - credit intermediation (processing and verification of applications, underwriting, credit scoring, servicing and collection of loans, BaaS solutions, credit risk management);
- deposit brokerage (customer reception, authentication (KYC and AML/CFT control, BaaS solution);
- FinTech competitive policy in the field of deposit acceptance, savings and wallet products, personal finance, P2P payments, etc.;
- FinTech competitive policy in the field of deposit withdrawals [17, p. 35-39].

It should be noted that at the current stage of the development of the financial sector there are certain contradictions and threats in the interaction between fintech companies and banks.

To minimize risks caused by digital transformation and successful development in the future, banks need to focus on ensuring cyber security, conducting timely testing and monitoring of banking systems, expanding the range of banking services, and optimizing the IT risk system.

All these practical recommendations will help banks minimize risks, maintain a high level of competitiveness and ensure sustainable development in the future [18].

Digitization of the banking sector in Ukraine and the world carries both great opportunities and significant challenges and risks. Here are some of them:

#### Challenges:

1. With the intensive development of digital technologies, the threat of cyber attacks is also increasing. Banks must always be ready to protect customer data and financial resources from cybercriminals.

2. Digital technologies allow new entrants, such as fintech companies and other technology startups, to compete with traditional banks. This can put pressure on traditional banks in terms of innovation and customer service.

3. Regulators may introduce new laws and regulations to regulate digital financial services. This may create an additional burden on banks and require changes in their activities.

4. The development of digital platforms and infrastructure requires significant investment in technology and retraining of personnel. For many banks, this can be a major financial challenge.

5. Digital technologies can create new barriers for those who do not have access to the Internet or the skills to use digital platforms.

#### Risks:

1. Loss of trust – misuse of customer data or cyber attacks can lead to a loss of consumer trust in the banking system.

2. Regulatory risks – changes in regulation can affect banks' ability to use digital technologies, leading to instability in development strategies and plans.

3. Technological problems – errors in the design or implementation of digital solutions can lead to serious technical problems that affect customer service.

4. Economic risks – the growth of digital services may lead to market consolidation and less competition, which may worsen conditions for customers.

5. Social risks – digital technologies may lead to increased unemployment in traditional banking sectors due to automation and optimization of processes.

Managing these challenges and risks will require banks to constantly monitor technological and regulatory changes, as well as flexibility and innovative thinking.

In 2024-2025, all types of banking services that do not require customers to visit branches will continue to develop and will be actively promoted by banks. On the other hand, it cannot be said that these services will quickly come to the fore and become the main channel of interaction between banks and customers, because there are serious restrictions on the demand for digital services:

- the legal framework for banking activity is paper-based and difficult to integrate with new electronic banking tools;
- information technologies are not widespread in rural areas of Ukraine;
- reluctance of banks to invest in the development and implementation of advanced technological solutions and, as a result, the underdevelopment of technologies;
- insufficient demand for digital banking technologies (due to low consumer awareness). Currently, the population is more interested in simple and understandable services (loans and deposits), which banks have been promoting for a decade, than in innovative banking services;
- uneven technological development of market participants.

Ukrainian banks plan to transfer most of their services to fully online channels by 2024-2025, introducing new customer service technologies, reducing the number of traditional branches and reducing administrative costs. In the future, banks plan to fully transfer deposit and credit services to the virtual sales channel. To do this, they plan to increase customer awareness of the latest technologies, develop services and improve system security. In addition, in 2024-2025, banks will intensively develop remote control services based on digital technologies [19, p. 94-110].

Therefore, commercial banking institutions should pay attention to the main elements of modern digital bank management for the implementation of digitalization of banking services in Ukraine:

1. Multi-channel (each channel needs its own workflows, content, screen design and other supporting tools);
2. Digital banking (work is repeated many times, and the final result is distributed across channels that are not related to each other. Instead of creating a digital business function for each channel, a more appropriate approach would be to develop a single function and distribute it across all channels through a central hub.

For this, a multi-channel digital banking platform should be centrally created, which would organize interaction with customers at all contact points);

2. Modular banking (modular architecture allows banks to quickly implement innovations to meet customer needs. Modular architecture allows banks not only to respond to market realities, but also to actively create services together with their customers);

3. Open banking (banks should open their application software interfaces. If used correctly, this will help in the development of products and services. Open banking has elements such as access to connections, decentralized operation, unit production, cost sharing and financial management);

4. Smart banking (effective segmentation, targeting and monitoring is achieved by collecting data from various sources and analyzing them to obtain effective statistics).

Therefore, each client receives banking services adapted to his individual needs through the most suitable channels. This approach allows you to manage customer satisfaction by adapting both services and distribution channels to their current needs. Each of the above four elements is a fundamental algorithm for the future development of banking services and successful digital transformation [20].

Globalization and digitalization significantly affect the banking sector, providing it with new opportunities and challenges. Here are some aspects to consider:

#### 1. Global financial networks.

Digital technologies allow banks to operate internationally with greater ease. This means that banks can provide services to customers anywhere in the world, ensuring fast and convenient transactions.

The relationship between globalization and digitalization on the one hand, and the banking sector on the other, can be quite complex, as they both have a significant influence on each other. Let's take a closer look at the aspects of globalization and digitalization in the context of the banking sector:

1. International payments and cross-border transactions – digital technologies simplify and speed up international payments. Banks can use digital channels such as mobile applications and online platforms to provide customers with access to fast and efficient payment services. Global financial networks such as SWIFT (Society for Worldwide Interbank Financial Telecommunication) allow banks to conduct cross-

border transactions and cooperate with banks in different countries.

2. International settlement system - digital technologies allow banks to work with international settlement systems, such as CHIPS (Clearing House Interbank Payments System) or TARGET (Trans-European Automated Real-time Gross Settlement Express Transfer System), which ensure the processing of large volumes of transactions in real time.

3. Global banking networks and branches - many large banks have branches and offices in different countries, which allows them to create global banking networks. Digital technologies such as Virtual Private Networks (VPNs) enable banks to ensure security and connectivity between their branches around the world.

4. International financial markets – digital technologies allow banks to participate in international financial markets, such as foreign exchange, stock and commodity markets, providing clients with access to various investment instruments and the possibility of portfolio diversification.

In summary, globalization and digitalization interact in the banking sector, contributing to the development of global financial networks, providing more efficient and faster customer service, and creating new opportunities for banks in international financial markets.

## 2. Virtualization and online banking.

Most banks choose to develop their online platforms to provide customers with access to banking services from anywhere in the world. This makes them more competitive on the international market and enables them to attract new customers.

Due to the development of globalization and digitalization, online banking is becoming an increasingly important component of the strategy of banking institutions. Let's take a closer look at which aspects of digitalization affect the banking sector:

- Virtualization and accessibility – digital technologies allow banks to create online platforms that provide access to banking services 24/7 from anywhere in the world where there is an Internet connection. Customers can make payments, transfers, manage their accounts and investments, receive customer support and more from the comfort of their home or office. This makes banking more convenient and accessible for customers.

- Personalization of services - online banking allows banks to collect data about customer behavior and needs, which allows them to provide personalized offers

and services. For example, a bank may recommend certain financial products or services to a customer based on their history and current needs.

- Mobile access – in addition to access through web platforms, most banks offer mobile applications for smartphones and tablets. This allows customers to bank on the go, which is especially convenient for people who are often on the go or travel.

- Cyber security – online banking also poses cyber security challenges for banks. Banks must ensure the protection of personal and financial information of customers from cybercriminals and cyberattacks. This includes using data encryption, two-factor authentication, monitoring for suspicious activity, and constantly updating software to protect against new threats.

- Efficiency and cost – Online banking can also reduce costs for banks as they can reduce the number of physical branches and staff spent on customer service. This can allow banks to reduce the cost of services and compete with more favorable offers for customers.

Therefore, the digitalization of the banking sector through the development of online banking opens up new opportunities for convenience, personalization and efficiency, but requires banks to pay close attention to cyber security and data protection issues.

### 3. Security and Regulation.

Globalization and digitalization pose challenges to banks in ensuring the security of financial transactions. On the one hand, digital technologies can provide greater security of data and operations. On the other hand, it can also create new threats such as cyberattacks and cybercrime. Regulators have an interest in creating international standards for data security and protection. Given the importance and complexity of this item, let's consider it in more detail:

- a. Digital security – with the growth of digital technologies in the banking sector, the importance of digital security is also increasing. Banks store large amounts of sensitive customer information, such as personal and financial data, so they need to ensure a high level of protection against cyber-attacks and other threats. This includes the development of intelligent systems for the detection and prevention of cybercrime, data encryption, two-factor authentication and other measures.

- b. Regulation – due to the growth of digital technologies and the globalization of the banking sector, regulators must create and improve international standards for security and data protection. This helps standardize approaches to



protecting confidential information and ensure banks' compliance with security requirements. For example, the European Union has implemented the General Data Protection Regulation (GDPR), which standardizes approaches to the processing and protection of personal data in all member countries.

c. Cybercrime – the digital transformation of the banking sector is accompanied by an increase in cybercrime. Attackers use various methods such as phishing, ransomware, DDoS attacks and others to gain unauthorized access to sensitive information and steal money. Banks must constantly improve their security systems and monitor security measures in order to respond to potential threats in a timely manner.

d. Risk monitoring – with the use of digital technologies, banks can also monitor financial risks more effectively. Data analysis and the use of artificial intelligence algorithms can help detect suspicious and anomalous transactions, thereby reducing the risk of financial fraud and losses.

These aspects confirm the complexity and importance of security and regulation in the context of the digital transformation of the banking sector on a global scale.

#### 4. Fintech and innovation.

Globalization is fueling the emergence of new fintech companies that use digital technologies to provide financial services. These companies can compete with traditional banks, or form partnerships with them to strengthen their services. Considering fintech and innovation in the banking sector in the context of globalization and digitalization, it is worth considering the details in more detail:

– Fintech companies use innovative technologies to provide financial services. They can specialize in different segments of the banking market, such as payment systems, lending, asset management, insurance and many others.

– Fintech companies can compete with traditional banks by offering innovative and more convenient services. For example, mobile money transfer platforms can be faster and less costly than traditional bank transfers. Such fintech companies can attract customers who are looking for more convenient and efficient financial solutions.

– Partnership with banks: Instead of competing, fintech companies can form partnerships with traditional banks. This allows banks to access innovative technologies and services that can improve their competitiveness and provide better

customer service. On the other hand, fintech companies can gain access to banking infrastructure and customer base.

–Fintech companies can introduce new products and services that respond to changing customer needs. For example, this could be using artificial intelligence to analyze financial data and provide personalized investment advice.

–Fintech companies can influence the banking sector internationally by providing their services through a global network. This can contribute to the spread of innovation and increased competition in the global financial services market.

In general, the fintech industry plays an important role in the transformation of the banking sector due to globalization and digitalization, offering new opportunities for development and competition.

#### 5. Access to financial services.

Digital technologies can facilitate access to financial services for people in remote regions or countries with underdeveloped banking infrastructure. Mobile platforms and electronic money can become the basis for financial inclusion at the international level.

National economies around the world are moving towards more digital and globalized banking. In this context, we will consider aspects related to access to financial services in remote regions and countries with insufficiently developed banking infrastructure:

1. Mobility and accessibility – thanks to digitalization, financial services are becoming more accessible through mobile devices. This is especially important for people who live in remote areas or in countries where there are no bank branches.

2. Electronic money and mobile platforms - the use of electronic money and mobile platforms allows people to carry out financial transactions without the need to visit traditional bank branches. For example, payment applications such as Apple Pay, Google Pay, or local equivalents allow you to pay for goods and services without using cash.

3. Financial Inclusion – Digital technologies create opportunities to increase financial inclusion, especially among those previously unbanked. Some programs and initiatives aim to provide financial education and support to the unbanked.

4. International payment systems – digital technologies allow for increased access to international payment systems, which facilitates international transfers and trade for people in countries with underdeveloped banking infrastructure.

5. Electronic Banking Services – Online banking allows customers to perform various banking operations such as fund transfers, payments and account management without the need to visit physical bank branches.

Overall, the digitalization of the banking sector and the globalization of financial services contribute to the development of a more inclusive and accessible financial system that provides more opportunities for all segments of the population, including those living in remote areas or in countries with underdeveloped banking infrastructures.

In general, globalization and digitalization are transforming the banking sector, creating new opportunities for development and competition, but at the same time creating new challenges that need to be managed.

Digitization of banking activity is a set of measures aimed at in-depth cooperation with fintech startups in order to achieve long-term development goals related to the introduction of innovative work methods, new banking products and services to expand and increase the client base and increase the bank's competitiveness. For banks at this stage of digitization of activities, it is necessary to focus on finding new opportunities, effectively attract and use various resources to achieve the set goals and achieve the desired result with minimal costs.

Digital banking refers to the provision of financial services through mobile and online platforms. During the period of emergence and active development of remote banking, various channels appeared, such as telephone, terminal, Internet banking, as well as mobile banking, which includes the ability to make payments and transfers using a smartphone from one physical person to another.

Today, the result of the interconnection of digital technologies with banking services is the emergence of innovative products and services. The most common types of innovative banking products in the domestic market are mobile banking, internet banking, "Zone 24", electronic accounts and POS terminals in trade networks.

One of the most popular digital services provided by Ukrainian banks is contactless payments. They are carried out using contactless cards, as well as through smartphones and other devices with NFC technology. This popularity is due to the security, speed and convenience of such transactions. Another modern trend of digitalization of the banking sector in Ukraine is the biometric identification of customers. The following customer identification technologies are the most

innovative in Ukraine: fingerprints; facial recognition.

Consumer demand for digital technologies that make it easier for customers to manage their financial lives is driving innovation. We can already see an increase in the use of artificial intelligence throughout the financial and banking industry. In particular, chatbots that streamline customer identity verification and provide more personalized banking and robo-advisors that help customers make the best investment decisions are becoming commonplace.

Globalization processes have a direct impact on the development and operational activity of the banking system and the financial market in general. All trends characteristic of the global economic sphere can be adapted to the conditions of Ukraine. The key factor in the adaptation of Ukrainian banks to global standards is the revision of the legal field in accordance with international standards and taking into account their compliance with the conditions of the current economic situation in Ukraine.

One of the main challenges arising from the digital transformation of the banking sector is low adaptation to the rapidly changing technological environment. Innovative technologies such as artificial intelligence, blockchain, data analytics and the Internet of Things require banks to constantly update their processes and systems, as well as to have an effective digital transformation strategy that includes the introduction of new technologies and ensures their interaction with existing systems.

To minimize risks caused by digital transformation and successful development in the future, banks need to focus on ensuring cyber security, conducting timely testing and monitoring of banking systems, expanding the range of banking services, and optimizing the IT risk system. All these practical recommendations will help banks to minimize risks, maintain a high level of competitiveness and ensure sustainable development in the future.

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### **3.2. IMPROVING THE MANAGEMENT OF THE BANK'S FINANCIAL RESULTS TO INCREASE ITS PROFITABILITY**

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**Summary.** The main factors affecting the bank's financial results include revenues and expenses, risks, taxes, regulation, liabilities and assets, market and technological factors. The bank receives income from interest and commission operations, but also incurs costs for interest when raising funds and operating expenses. Managing this balance is essential to ensure sustainability and profitability.

Credit and market risks can affect financial results due to possible losses and the need to create reserves. Risk management requires in-depth analysis and a strategic approach. The state of the economy and the use of modern technologies are also of great importance. Banks must adapt to market changes and innovate to maintain competitiveness. Effective management of all these aspects allows the bank to achieve stable profitability and ensure financial stability in conditions of high competition and a changing economic environment.

Key aspects of financial performance management, such as strategic planning, cost control, revenue optimization and risk management, are essential to ensure the sustainability and success of a bank. It is important to emphasize the importance of integrating financial performance management strategies with the overall strategy of the bank. This allows you to create a holistic plan that contributes to the achievement of defined goals. Emphasis on risk management indicates the need for constant study and assessment of risks, as well as timely response to changes in the economic environment. The role of modern technologies in improving the efficiency of banking operations and ensuring the accuracy and availability of financial information is taken into account. The general trend is that effective management of a bank's financial results requires a combination of strategic planning, technological innovation, flexibility and a systemic approach to achieve financial stability and competitiveness.

Internal banking forecasting and planning, being an organic element of the management system, is a process of designing the desired future and effective ways to achieve it. Preparation of high-quality information about the bank's financial and economic activities, use of modern computer support, application of more complex mathematical forecasting models capable of taking into account non-standard situations and crisis phenomena, shift of emphasis towards forecasting future events, risk forecasting – all this in modern conditions contributes to effective activity commercial banks.

On the basis of a retrospective analysis of the financial results of JSC CB "PrivatBank", a short-term forecast of the main deterministic factors of the bank's profit growth – interest and commission income and expenses – was made. In the forecast period, the bank's net profit is expected to increase due to the increase in revenues at a higher rate than expenses. The most optimistic is the increase in net profit due to the increase in the positive difference between the bank's commission income and expenses.

A significant increase in the interest margin may negatively affect the expected increase in the bank's net profit. Therefore, the bank should obviously strive for some reduction in the share of interest income associated with interest risk. Banking experts note that the more the bank earns from commissions, the more stable its work is. This is explained by the fact that the commission is less related to the bank's risky operations. Commission income, after interest, is the second most important source of income, and is a relevant and promising area of financial and economic activity of commercial banks in the market of banking services.

**Keywords:** banking, formation of financial results, management, financial forecasting, interest risks, commission income.

In the market economy, banks have always occupied a prominent place and, being in close contact with all its links, due to the specificity of their activities, influenced both the economy as a whole and the development of society in general.

The bank's profit is formed as a result of its credit, deposit, settlement and other types of banking activities. It can be defined as the final financial result, which has a monetary form, to some extent is a reward for the risk taken and the result of effective management of the bank's activities. Profit is a value indicator and characterizes only a part of the income that is exempt from expenses in the course of the bank's activities. Profit is the most important factor in bank profitability. Understanding financial results allows you to determine the optimal ways of development and avoid possible risks. Financial performance management provides bank management with information that helps them make sound strategic decisions [3].

Management of financial results is aimed at preserving the financial stability of the bank. This includes control over the level of risks, optimization of financial operations and ensuring compliance of financial indicators with prudential standards.

A bank that effectively manages its financial results has the opportunity to be more competitive in the market. This allows you to confidently compete for customers, attract additional capital and develop new financial products. Management of financial results contributes to the creation of an open and transparent environment in the bank's activities. This is important to ensure the trust of customers, regulators and other stakeholders. Therefore, management of the bank's financial results is a critically important and relevant aspect of its activity.



In addition, the dynamism of the market environment requires constant updating of approaches to the ability to plan and forecast the financial results of a banking institution in order to add more stability to its activities.

The bank's financial results reflect its financial condition and operational efficiency. The essence and features of the formation of the bank's financial results include the aspects presented in fig. 1.

Banks receive the following types of income:

1. Interest income from lending to bank clients. Customers return the borrowed money plus interest for the use of these funds. The level of interest rates that the bank sets for its loans affects the size of this income [10].

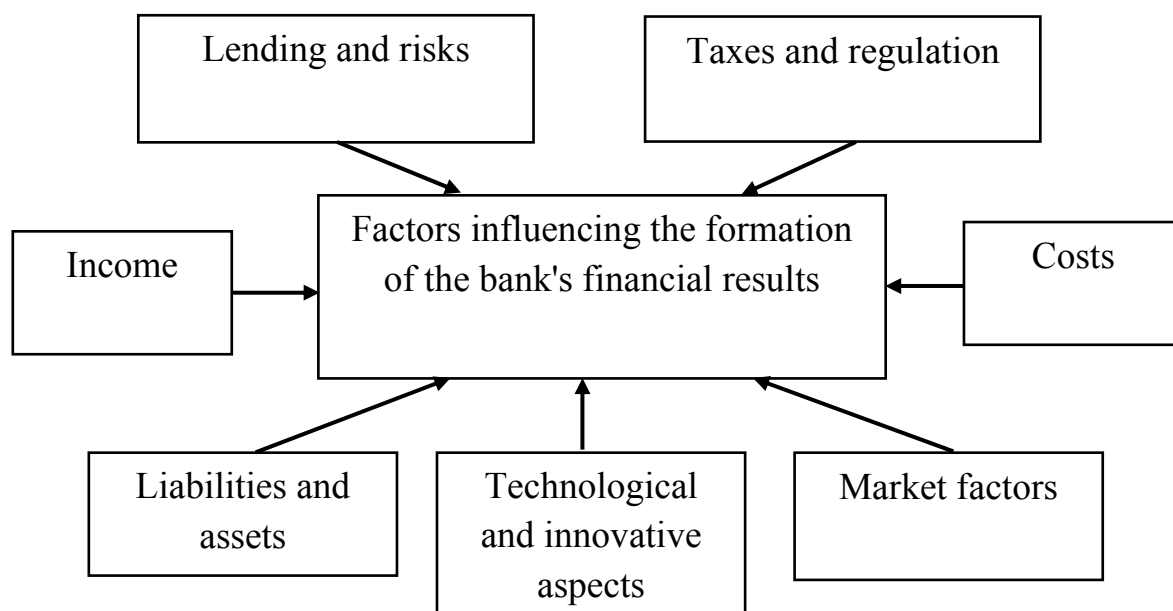


Fig. 1. Factors influencing the formation of the bank's financial results

Interest income can also be obtained from other financial transactions, such as securities trading, currency transactions and others. Income from these operations is also included in interest income.

2. The bank receives commission income from the provision of various banking services, such as account maintenance, fees for issuing and servicing bank cards, asset management services (investment funds, portfolio management) and other administrative services.

3. Other sources of income, including consulting services to clients, income from currency exchange operations, etc. [5].

These revenues are key to the bank's financial well-being, so their effective

management is an important task to ensure the bank's stability and profitability. Financial results are determined by the difference between these revenues and all costs, which include the costs of mobilizing funds, administrative costs and risk management costs [4].

Bank expenses include various types, in particular:

1. Interest expenses are expenses that the bank is obliged to pay for attracting funds. A bank issues loans and bonds to raise funds, for which it pays interest to depositors or investors.

2. Administrative and operational expenses are expenses related to the general management of the bank and ensuring its day-to-day operations. They include employee salaries, office space costs, information technology, marketing, and other administrative costs. These costs have an impact on the bank's overall costs and can affect its profitability.

2. Reserves to cover possible losses – banks create reserves to cover possible credit losses. This may include the creation of reserves to cover overdue loans or non-payment risks. They are determined based on the analysis of risks associated with loans and other assets of the bank. Reserves can affect a bank's profitability and financial stability.

These costs interact with each other and with other aspects of the bank's financial activity, determining its net profit and overall financial stability. Management of these costs is an important element of strategic planning and financial management of the bank [18].

Lending and risks are an important part of forming the bank's financial results. Banks mainly earn from interest income from providing loans to customers. It can be corporate lending, mortgage lending, consumer loans and others.

When conducting credit operations, credit risk arises as a result of the possibility that the bank's clients may not return their loans on time or at all. This risk can be divided into individual risk (related to individual clients) and portfolio risk (related to the distribution of risks in the entire credit portfolio). Therefore, banks must constantly take measures to reduce credit risks. Among these measures, the following should be identified: assessing the creditworthiness of customers, establishing credit limits, monitoring payments, and timely identifying problem loans.

Prevention of possible losses from non-repayment of loans requires banks to

create appropriate reserves to cover them. This may include the formation of reserves based on various methods, such as the model of the probability of default and the amount of losses in case of default [12].

Accounting for lending and credit risks is an important part of bank management, and requires banking institutions to carefully analyze and strategically plan to ensure the stability and profitability of their operations [11].

Taxes and regulation are among the important macroeconomic factors affecting the bank's financial results. Yes, banks must pay income tax in accordance with the legislation of the country in which they operate. This is one of the main financial costs for banks. In addition to income tax, banks may also pay other taxes, such as real estate tax, value added tax, mandatory contributions to insurance funds, etc. [9].

Banks must comply with various regulations and standards set by the banking regulator. These prudential regulations may include requirements for capital, liquidity, risk management, etc. The regulator can also set restrictions on certain financial operations of banks, such as lending, investing in risky assets or participating in certain market operations.

Within the framework of integration processes, modern banks must adhere to high standards for combating money laundering and terrorist financing, which may require the introduction and improvement of internal procedures and control systems.

In order to protect the rights of consumers, the regulator also establishes requirements for protecting the rights and interests of bank customers, such as information transparency, compliance with customer service standards, etc. [19].

The general goal of government bodies in implementing tax and regulatory policy is to ensure the stability of the financial system, protect the interests of depositors and consumers of financial services, and prevent systemic risks. This is an important aspect of the formation of the bank's financial results, since taxes and regulation can significantly affect the profitability and stability of financial institutions.

The financial results of the bank are determined by the difference between income and expenses, which is reflected in the balance sheet through liabilities and assets. The balance sheet is a financial report that reflects the financial condition of the bank at a certain point in time. Banks usually prepare a balance sheet quarterly or annually, and this statement contains two main parts: assets and liabilities. Assets are resources owned by the bank. Liabilities are sources of financing that the bank

receives as borrowed funds. The difference between assets and liabilities determines the bank's equity, which is also reflected in the balance sheet. The bank strives to balance assets and liabilities, as well as to maintain a sufficient level of equity capital to ensure the sustainability and reliability of its operations. Understanding the structure and components of the balance sheet is important for analyzing the bank's financial condition and making appropriate strategic decisions.

Attention should also be paid to market factors that can affect the bank's financial results. First of all, interest rates have a significant impact on the bank's financial activities. Changes in the level of interest rates affect the bank's interest income and expenses. For example, a rise in interest rates may increase interest income, but may also increase the cost of raising funds. A decrease in interest rates, on the contrary, may lead to a decrease in interest income, but may ease the situation with lending costs [7].

The state of the economy and the general level of economic activity affects the bank's financial results. In positive economic conditions, the demand for loans may increase, which leads to an increase in the bank's income. In difficult economic conditions, the bank may face a decrease in the demand for loans, an increase in the risk of non-repayment of loans and a decrease in the financial well-being of customers. Understanding economic trends and the ability to adapt to changes allow banks to make strategic decisions and effectively manage risks [2]. Market factors are dynamic and interrelated, and bank management must carefully study and analyze them to make informed decisions aimed at achieving stability and profitability of financial results.

It should be emphasized that banking activity is significantly influenced by technological and innovative factors. The use of modern technologies can reduce costs and increase the efficiency of banking activities. The modern development of technologies brings significant changes to the banking sector, affecting various aspects of the activity and formation of financial results of banks [15].

In the banking sector, the following technological innovations are used:

- digital service channels – the introduction of internet banking, mobile applications and other digital platforms allows banks to provide services in a more convenient and efficient way for customers;

- artificial intelligence (AI) – the use of AI in the banking sector can facilitate decision-making, analyze risks, as well as optimize lending and portfolio

management processes;

- block chain – block chain technology can improve the security and efficiency of operations, reducing the risks of fraud and increasing the transparency of financial transactions;

- cyber security – in view of the growing number of cyber threats, banks are actively improving their cyber security systems to protect the confidentiality and integrity of financial data [8].

Efficiency and cost optimization is achieved due to the following innovative solutions in the banks' activities:

- automation of processes – the use of robotic processes (RPA) allows banks to optimize routine operations, reducing costs and increasing the speed of document processing;

- cloud technologies – the use of cloud services can reduce IT infrastructure costs and provide a more flexible architecture for customer service. Improving the quality of service to the bank's customers is possible thanks to:

- analytics and Big Data – processing large volumes of data allows banks to analyze customer behavior, predict their needs and personalize offers;

- electronic payment systems – the introduction of new electronic payment technologies, such as NFC technologies, can facilitate payment and provide convenience for customers [8].

The introduction of innovative products and services is also promising for banks:

- fintech cooperation – cooperation with fintech companies can help banks to introduce new innovative products and services faster;

- digital currencies – some banks are considering the possibility of introducing digital currencies and block chain technologies to optimize international transactions.

Therefore, technological and innovative aspects play a key role in shaping the bank's financial results, providing an opportunity to increase the efficiency of operations, attract and retain customers, and reduce risks.

Today JSC CB "PrivatBank" is the largest bank in Ukraine and one of the largest in Eastern Europe. PrivatBank is known for its innovative activities, introducing modern technologies and electronic services for the convenience of customers. The bank offers a wide range of financial services, including lending, deposits, payment cards, investment products and others. It is also a leader in the field

of Internet banking, providing convenient and secure access to banking services online. PrivatBank has been recognized with numerous international awards for its achievements and contribution to the financial sector. It has also won numerous reliability and stability ratings, which indicates its high financial status.

In 2016 year, the bank underwent reform and nationalization, which strengthened its stability and customer confidence. PrivatBank continues to play a key role in the economy of Ukraine, providing a wide range of financial and banking services for various clients. According to the NBU classification, Privatbank was recognized as the first systemically important bank in Ukraine in 2022 year.

PrivatBank's active operations include providing loans to various categories of clients, from individuals to large corporations. The Bank carries out investment operations, placing its financial resources on the securities markets and other instruments for profit. PrivatBank's assets include a portfolio of securities, bank loans and other investments to generate income.

The result of PrivatBank's active operations was obtaining a net profit, which has the best indicators among Ukrainian banks (table 1).

Table 1

Net profit of state banks and the banking system in 2017-2022 years, UAH million [14]

	2017 year	2018 year	2019 year	2020 year	2021 year	2022 year	Dynamics, 2022 to 2017 (+,-)
JSC CB "Privatbank"	-23 914	12 798	32 609	25 306	35 050	30 198	54 112
JSC "Oschadbank"	559	162	255	2 832	1056	640	81
JSC "Ukreximbank"	784	852	64	-5 594	2728	-7718	-8 502
JSC "Ukrasbank"	628	769	1 289	543	3771	-3861	-4 489
State banks together	-21 943	14 581	34 217	23 087	42 605	19 259	41 202
Non-state banks in general	-2 417	7 144	25 417	18 209	34 771	2 662	5 079
TOGETHER on the banking system	-24 360	21 725	59 634	41 296	77 376	21 921	46 281

PrivatBank actively implements self-service technologies, giving customers the opportunity to perform a number of banking operations directly in branches or using ATMs. PrivatBank actively implements artificial intelligence and data analysis technologies to optimize its processes and provide more personalized services to

clients.

A necessary and integral stage of monitoring financial activity is the assessment of the bank's financial results, which is carried out by both the NBU and the bank itself. The level of financial efficiency of each bank has a further impact on the reliability of the national banking system as a whole.

Practical assessment of banks' profitability is carried out on the basis of financial statements, which are publicly available on the banks' official websites. Evaluation of the bank's financial results is carried out by analyzing the structure of their balance sheet (assets, liabilities, capital), as well as comparing the amount of income and expenses.

Formation of the bank's financial results is a complex process that requires careful risk management, effective management of assets and liabilities, as well as consideration of various economic and market conditions.

Management of the bank's financial results is a complex and important process that includes a number of stages. The main stages of managing the bank's financial results are presented in fig. 2.

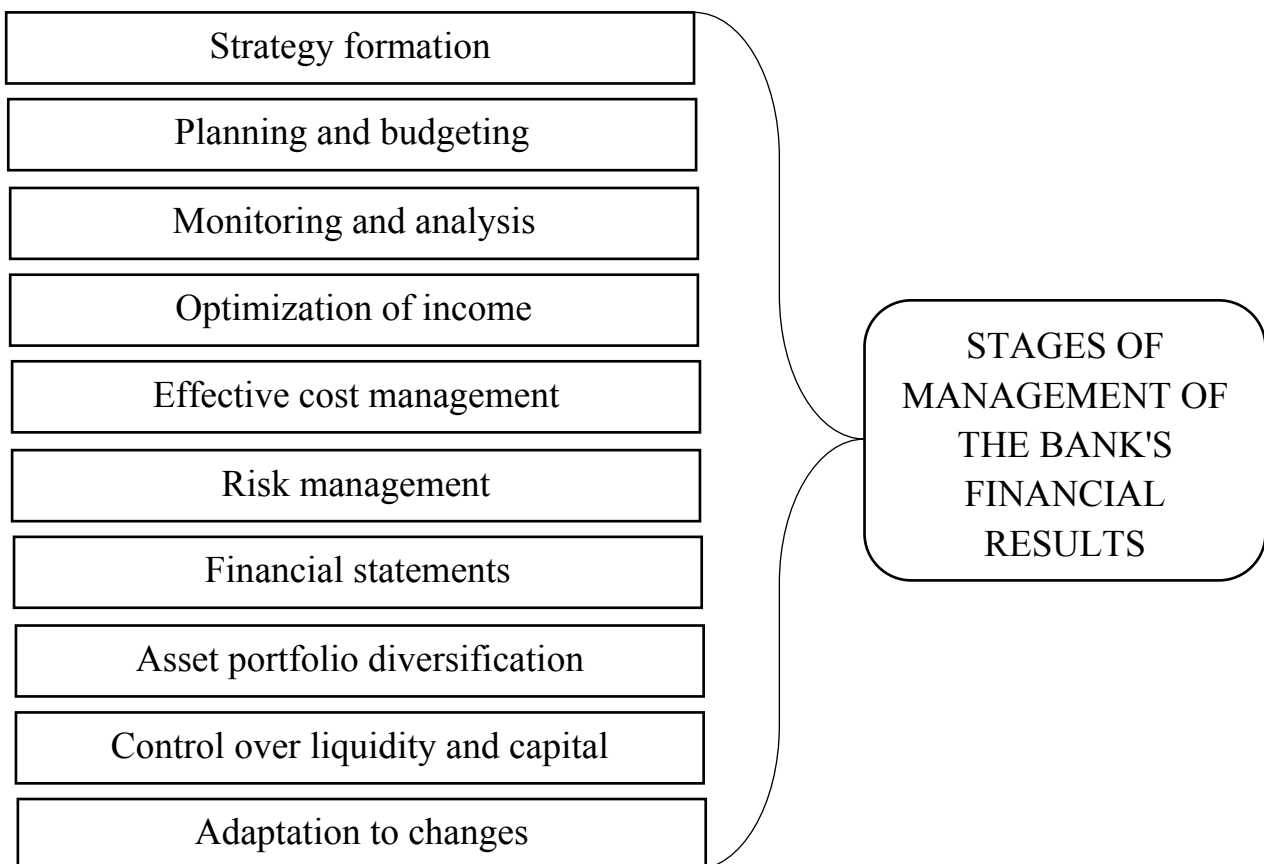


Fig. 2. The main stages of managing the bank's financial results

Strategy formation is the first and key stage of managing the bank's financial results. At this stage, the main goals and tasks of the bank are determined, and a strategy for their achievement is developed [12].

Strategy formation consists of the following eight steps:

1. Analysis of the external environment – assessment of the economic, political, socio-cultural and technological environment in order to understand the external factors that can affect the bank's activities.

2. Determination of internal strengths and weaknesses – analysis of internal resources, processes and capabilities of the bank to determine its competitive advantages and weaknesses.

3. Determination of strategic goals – setting clear and measurable goals that reflect what the bank seeks to achieve in the medium and long term.

4. Development of a strategy for achieving goals – determination of specific strategies and tactics that will allow the bank to fulfill its strategic goals.

5. Risk identification – analysis of potential risks associated with the strategy and development of plans for their management.

6. Determination of key indicators of success – establishment of indicators that will determine how effectively the bank implements its strategy and achieves its goals.

7. Communication and implementation – ensuring that the strategy is clearly understood by all levels of bank management and implementing the necessary changes in organizational structure and processes to implement it.

8. Monitoring and adjustment – systematic monitoring of strategy implementation, KPI analysis and timely adjustment of strategy in accordance with changes in the external environment and internal conditions [6]. The formation of the strategy determines the general course of action of the bank and is the basis for all further financial decisions and management measures.

Planning and budgeting is a critically important stage of managing the bank's financial results. At this stage, a strategy for the use of financial resources is formed and a plan for their distribution for a certain period of time is determined. Planning includes:

- definition of goals – financial planning begins with clearly defined financial goals of the bank. These objectives may include increasing profits, increasing liquidity, optimizing the cost of capital, and others;



- assessment of the available financial resources of the bank, including assets, liabilities, capital, credit possibilities and other sources of financing;
- development of a forecast of financial indicators, such as income, expenses, profit, liquidity and others, for a certain future period. Different scenarios and risks are considered;
- on the basis of defined goals and forecasts, the creation of a financial plan, which includes strategies for increasing income and effective management of expenses.

Budgeting is connected, in turn, with the following steps:

- a detailed plan for the distribution of financial resources between various sectors and activities of the bank is being developed. This includes the allocation of funds for lending, investments, wages, marketing and other areas;
- a budget of expenses is formed, including operational expenses, capital investments, advertising, infrastructure expenses and other expenses;
- it is determined how much money will be allocated for the development and preservation of capital in order to ensure the stability and sustainability of the bank;
- plans and budgets are agreed with the bank's management and departments to ensure mutual understanding and agreement regarding strategies and goals;
- after the adoption of the budget, systematic monitoring of implementation is carried out and, if necessary, corrections are made to solve identified problems or changed conditions [12].

This process of planning and budgeting helps the bank to manage financial resources effectively and achieve the set goals in a strategically determined period of time.

Monitoring and analysis includes several key stages and procedures:

1. Definition of key indicators – definition of the main financial and operational indicators that must be monitored. It can be income, expenses, profit, profitability, credit portfolio, liquidity, capital investment, risks, etc.
2. Systematic data collection – constant and systematic collection of financial data from various sources, including accounting, information systems, operational reports, Internet banking, and other sources of information.
3. Comparison with actual indicators and plans – the procedure of comparing actual financial results with planned values. Identification of deviations and analysis of the reasons that led to changes in financial indicators.

4. Identifying trends – analyzing the dynamics of key indicators over time to identify trends and changes. It helps management to respond to changes in time and plan strategic corrections.

5. Segmentation and in-depth analysis – segmentation of financial results according to various parameters (geography, types of products, customer segments). Deep analysis of each segment to identify the most profitable or problematic areas.

6. Presentation of information – development of reports and dashboards that clearly reflect financial results and allow bank management to quickly assess the situation.

7. Action planning – based on the received data, the development of specific actions to correct negative trends or strengthen positive ones. This may include strategic changes, optimization of processes, introduction of new products or services, etc.

8. Reporting and review of activities – preparation of reports for senior management and meetings of the board of directors. Regular reviews and updates of strategies based on feedback and results of implemented measures [11].

Monitoring and analysis of financial results is an integral part of effective bank management and allows timely response to changes in the financial environment and achievement of strategic goals.

Revenue optimization is the process of developing and implementing strategies to increase bank revenues, in particular, expanding the client base, improving products and services, optimizing pricing, etc. [12]. Optimizing the bank's income is based on five directions:

1. Expansion of the client base:

- development of marketing campaigns to attract new customers;
- increasing the volume of advertising and information activities to increase attention to banking products and services;
- introduction of attractive conditions for new customers, such as promotions, bonuses, etc.

2. Improvement of products and services:

- analysis of market trends and customer requirements for the development of innovative products and services;
- optimization of existing banking products to ensure competitiveness on the market;

- development of additional services that can increase the attractiveness of the bank for customers.

### 3. Optimization of pricing:

- analysis of competitors' pricing policy and determination of optimal prices for the bank's products and services;

- introduction of flexible pricing, promotions and discounts to stimulate sales.

### 4. Cross-selling and client portfolio management:

- implementation of cross-selling strategies that allow offering additional products and services to customers;

- analysis and segmentation of the client portfolio for more effective management of relationships and income [17].

### 5. Effective use of sales channels:

- development and optimization of various sales channels, such as branches, Internet banking, mobile applications, etc.;

- introduction of technological innovations to improve the quality of customer service and increase user convenience.

Optimizing the bank's income involves constant monitoring of market conditions, analysis of the effectiveness of strategies and flexibility in implementing changes. The key is to respond to changes in the economy and customer requirements in order to maintain and increase the bank's income [13].

Effective cost management is a key element of the bank's financial management and includes several important sub-items:

1) cost analysis – conducting a detailed analysis of all types of costs, including labor costs, administrative costs, technology costs, marketing, infrastructure and others. This helps identify areas where savings and optimization can be made;

2) optimization of processes – implementation of effective and optimized work processes, which allows to reduce costs and increase the productivity of personnel and resources;

3) technological innovations – the use of modern technologies to automate processes and increase the efficiency of activities. This may include the use of fintech solutions, artificial intelligence, robotics and other innovations;

4) outsourcing – consideration of outsourcing opportunities for certain functions and services in order to reduce the costs of internal maintenance of personnel and resources;

5) optimization of the portfolio of products and services – analysis of the portfolio and elimination of less profitable or unprofitable products aimed at concentrating on the most profitable areas;

6) control over personal expenses – payroll management, including staffing optimization, improvement of personnel compensation and motivation systems;

7) a culture of spending discipline – the creation of a corporate culture that promotes the effective use of resources and a responsible attitude to spending.

These measures are aimed at ensuring the optimal use of resources and maximizing efficiency, which ultimately contributes to the improvement of the bank's financial results [3]. Risk management is the process of identifying and assessing risks associated with the bank's financial activities and taking measures to reduce them. It includes the identification, assessment and management of various risks that the bank may face in its activities. The main aspects of this stage include:

1. Identification of risks – the bank conducts an analysis to determine the possible risks it may face. These can be credit risks, market risks (changes in prices, exchange rates, etc.), liquidity risks, operational risks (related to internal processes and technological systems), as well as risks related to regulation and changes in legislation.

2. Risk assessment – the bank assesses potential losses due to risks, determines the probability of their occurrence and the scale of impact. This may include defining critical points (thresholds) for certain risks that indicate the need for additional management intervention if they are exceeded.

3. Development of risk management strategies – on the basis of identified and assessed risks, the bank develops strategies and action plans to reduce the impact of risks. This may include the use of various financial instruments, provisioning, insurance and other measures.

4. Monitoring and adaptation – regular monitoring of risks and their impact on the bank's financial results. In case of changes in the internal or external environment, the bank adapts its risk management strategies and measures.

5. Ensuring compliance with regulations and requirements – the bank takes into account the requirements of regulators and standards in the field of financial activity when developing its risk management strategies. This may include compliance with capital investments, liquidity standards, setting restrictions on certain types of operations, and others.

6. Training and awareness of risks – involvement of bank personnel in understanding risks and their impact on financial results. Provision of training and development in the field of risk management to increase awareness and professionalism of personnel [12].

Effective risk management is a key factor for ensuring financial stability and avoiding unforeseen situations that may affect the bank's financial results.

Financial reporting is an important tool for managing finances and providing transparency to stakeholders. This stage consists of:

1) preparation of financial reports – the bank must systematically prepare various financial reports, such as a balance sheet, a profit and loss statement, a statement of changes in capital, a statement of cash flows, and others, in accordance with the requirements of accounting and regulatory standards;

2) compliance with accounting standards – the bank must comply with national and international accounting standards when preparing financial reports. For example, many banks adhere to International Financial Reporting Standards;

3) periodicity and timeliness – financial reports must be prepared and presented with a certain periodicity (usually quarterly and annually) and in a timely manner so that interested parties can assess the financial condition of the bank;

4) internal and external reports – the bank prepares financial reports for internal use (management and strategic decision-making) and for external stakeholders (shareholders, regulators, customers, investors);

5) audit and independent verification – the bank's financial reports can be audited and independently verified, ensuring a high level of reliability and reliability of the information presented in the reports;

6) disclosure of information – the bank must ensure sufficient disclosure of information in financial reports to ensure transparency and understanding of the financial state and results of operations;

7) cooperation with regulators – financial reporting is subject to cooperation and approval by regulators, who can establish standards and requirements for the bank's financial reporting;

8) analysis and internal use – financial reports are used for internal analysis and decision-making to evaluate the execution of strategies and identify opportunities for improvement [5].

Financial reporting plays a key role in a bank's interactions with investors,

customers, regulators, and other stakeholders, and it is an important tool for tracking and evaluating a bank's financial stability and performance. Diversification of the asset portfolio consists in developing strategies for expanding and diversifying the bank's asset portfolio to reduce risks and ensure the stability of financial results.

Assessment of the bank's liquidity, i.e. its ability to convert assets into cash or equivalent financial assets in order to meet short-term financial obligations. Determining the optimal level of liquidity buffer to prevent possible stressful situations or unexpected expenses.

Regular monitoring of the level of liquidity and conducting stress tests to assess how the bank can withstand negative effects on liquidity under various scenarios. Maximizing the effective use of liquid assets and their planning to ensure the bank's readiness for operational and financial challenges [12].

Determining the optimal level of capital to ensure financial stability and compliance with regulatory requirements. Developing strategies for raising capital, such as issuing shares, issuing bonds or other forms of raising capital.

Assessing risks and conducting stress tests to determine which impacts may have a negative impact on the bank's capital and how it can withstand such challenges. Ensuring that the bank complies with regulatory capital requirements set by the regulator [14].

The stage of control over liquidity and capital is designed to ensure an adequate level of liquidity and capital to ensure financial stability, compliance with regulatory requirements and focuses on two indicators:

1. Liquidity:

– definition of liquidity – assessment of the bank's liquidity, i.e. its ability to convert assets into cash or cash equivalents in order to meet short-term financial obligations;

– liquidity buffer – determining the optimal level of liquidity buffer to prevent possible stressful situations or unexpected costs;

– monitoring and stress testing – regular monitoring of the level of liquidity and conducting stress tests to assess how the bank can withstand negative effects on liquidity under various scenarios;

– optimization of liquid assets – maximizing the effective use of liquid assets and their planning to ensure the bank's readiness for operational and financial challenges.

## 2. Capital:

- assessment of capital investments – determination of the optimal level of capital to ensure financial stability and compliance with regulatory requirements;
- capital raising strategies – development of capital raising strategies, such as share issuance, bond issuance or other forms of capital appropriation;
- risk control and capital stress tests – risk assessment and stress tests to determine what influences may have a negative impact on the bank's capital and how it can withstand such challenges;
- compliance with regulatory requirements – ensuring that the bank complies with regulatory capital requirements established by financial authorities. These measures help the bank to ensure an optimal balance between liquidity and capital to meet internal and external challenges, while ensuring financial stability and the fulfillment of its strategic goals [4].

Adaptation to change is a critical stage in managing a bank's financial performance, as the financial environment is constantly changing, and banks must be ready to adapt to new conditions to ensure their sustainability and success. This stage is aimed at:

- analysis of the economic environment – the bank must systematically study and analyze the economic environment, including macroeconomic trends, the state of financial markets, changes in the regulatory environment and other factors that may affect its activities;
- response to new technologies – introduction and use of the latest technologies in the financial sphere to increase the efficiency of operations, provide quantitative and qualitative analytics, as well as increase the level of cyber security;
- flexibility of strategy – creation of flexible strategies that can be quickly adapted to changes in internal and external conditions. This may include revising products and services, reallocating resources, changing market strategy, etc.;
- training and development of personnel – provision of training and development of personnel for adaptation to new technologies and methodologies, as well as for understanding and effective response to changes in the economic and regulatory environment [16];
- competition monitoring – systematic monitoring and analysis of competitors' strategies to understand their best practices and respond to competitive pressure;
- risk management – effective risk management and the ability to adapt to new

types of risks that may arise as a result of changes in the economy or internal factors;

- involvement of stakeholders – communication with investors, clients, regulators and other stakeholders regarding strategic changes and adaptation to new conditions;

- review of the strategic plan – regular review and update of the bank's strategic plan based on new conditions and lessons learned.

The complex of these measures helps the bank to remain competitive, flexible and able to adapt to changes occurring in its economic and technological environment. These stages interact with each other and are important for achieving stability and success of the bank in a competitive market.

The regularity of the operation of a commercial bank can be ensured by a system of planning its activities and development, which includes not only scientifically based current, medium and long-term plans of financial and investment activities, but also strategic planning aimed at the effective use of resources and adaptation of the bank's system to external changing environment.

The condition for the application of the strategic planning system of the commercial bank's activities is to increase the scientific validity of solving the tasks of creating and substantiating the theoretical, methodological foundations and conceptual provisions of the process of developing a strategic plan of financial and investment activities, which includes the main and priority areas of investment.

The development and implementation of a modern concept of financial management, aimed at innovative business development, involves the constant search for innovative opportunities and the determination of the optimal development trajectory. In this sense, the development of a hierarchy of business strategies, in which a special place belongs to financial strategy (financial planning) and financial forecasting, becomes of key importance [1]. To manage means to predict, which means to forecast, to plan. That is why planning, in particular financial planning, is considered the most important element of entrepreneurial economic activity and organization management.

Scientific literature refers to the process of substantiating the goals, directions and priorities of economic development, ensuring the implementation of the planned strategy and determining the ways and means of achieving them. Activity planning includes the analysis, assessment and justification of the set goals from the point of view of the need for resources and their timely availability in the required quantities.



A distinctive feature of planning is specificity, numerical and temporal determination of all indicators [11].

A plan is a document that contains a list of indicators and a set of various measures to fulfill the set goals. It reflects the tasks, priorities that the company sets for itself, and even the necessary resources, sources of support, the order and terms of implementation.

A forecast in its general sense means a system of scientifically based ideas about the possible states of an object in the future, about alternative ways of its development. Accordingly, the process of developing a forecast is called forecasting. In the absence of a forecast or its fallacy, decisions may be made that will not only not give the desired results, but also lead to disproportions and losses. The planning process involves the development and adoption of management decisions, taking into account the problems identified at the forecasting stage, taking into account possible critical aspects of the future.

The difference between forecasting and planning is as follows:

- forecasting is always carried out with a high degree of uncertainty, is probabilistic in nature;
- the object of forecasting is most often a set of internal factors characteristic of a specific economic entity and external factors of the environment;
- forecasting is informational, consultative in nature, it is not always followed by decision-making, while planning is directive in nature.

One of the most important elements of the banking planning process is financial planning and forecasting.

Financial planning is aimed at the development of alternative budgets, which should take into account the necessary capital expenditures and other resources for the implementation of new programs or development projects of the bank while complying with the requirements for accepting a certain level of risk within the sources of its coverage. In a commercial bank, the central objects of financial planning are assets and liabilities, a set of banking services, as well as income and expenses received for the provision of these services. The financial plan, consisting of a portfolio plan of assets, liabilities and services, on the one hand, and a plan of income and expenses, on the other hand, reflects the production and portfolio functions of a commercial bank.

In the practice of financial planning, the following methods are used [9]:

– economic analysis – in order to identify trends in the development of the enterprise, an analysis of changes in the volume of sales as a whole and by all types of products, changes in the amount of profit, the level of profitability, the efficiency of investments, price policy, monetary transactions, the composition and structure of fixed and current assets, the composition and the ratio of equity and loan capital, dividend level, etc.;

– coefficient method – with the help of certain coefficients based on the achievements of past periods, estimated income and expenses, the amount of profit, are calculated;

– normative method – based on pre-established norms and standards, the enterprise's need for financial resources is calculated, the sources of their receipt are determined;

– the balance method, the essence of which is to reconcile expenses with the sources of their coverage, to ensure the interconnection of all sections of the plan with each other;

– the method of discounted cash flows is based on the calculation of the current value of expected inflows and outflows of cash in the future; this method is used to forecast a set of incomes and disbursements distributed over time;

– the method of scenarios consists in the development of several variants of financial plans – optimistic, pessimistic and the most likely; the method of economic-mathematical modeling consists in the quantitative expression of the relationship between financial indicators and the factors on which they depend, through the compilation of an economic-mathematical model using mathematical equations, inequalities, tables, graphs, etc.

The basis of drawing up a financial plan in a commercial bank is a profit forecast based on an assessment of interest and operating income and expenses and their comparison with the profit necessary for the further operation and development of the bank. Next, the optimal structure of active and passive operations is determined, taking into account the established benchmarks of the bank's interest policy. Based on the results of the analysis, both the strategic plan and the operational plan of the bank are adjusted, if its financial incapacity is revealed, the purpose of which is to determine the necessary changes in the volume and structure of banking operations for the next year, which ensure the implementation of the chosen strategy.

Conducting predictive studies on the assessment of the possible consequences

of management decisions is currently a necessary condition for the successful management of any economic object. A commercial bank is no exception.

Forecasting is a necessary part of banking planning and can be used in all areas of banking:

- forecasting the results of activities, which in modern banks is reduced to the construction of forecast financial models of the aggregate portfolio of assets and liabilities, construction of expenditure budgets;

- making decisions on the financial market for the formation of an investment portfolio;

- assessment of borrowers' creditworthiness;

- management and analysis of operations with term and current accounts of bank clients;

- management and analysis of banking operations and transactions;

- management, control and analysis of various banking risks;

- management of limits and regulations.

The task of predictive research is to provide a quantitative assessment of the future results of the bank's work based on the most reasonable assumptions about the qualitative development of the situation and other available data. The higher the validity and quality of management decisions made in a specific situation, the lower the risk of receiving negative financial results in the future.

As mentioned above, forecasting is the basis of planning. A well-executed plan provides a clear picture of the organization's future development opportunities. Moreover, forecasting has a specific methodological basis, different from the methods used in planning. Forecasting methods are divided into two groups: quantitative and qualitative [1].

Within the framework of qualitative methods, the opinions of experts regarding the dynamics of financial processes are considered and processed:

- Delphi method (method of expert evaluations);

- opinions of specialists;

- voting (ordered survey) of sales agents;

- study of buyers and consumers.

Quantitative methods include:

- 1) forecasting based on the data of past periods – the trend of changes in the indicator in the past is studied, the identified trend is transferred to the future:

- moving averages;
- analysis of trends;
- analysis of time series;
- exponential smoothing.

2) forecasting based on the identification of causal relationships (regression analysis):

- correlation and regression methods;
- econometric modeling.

With the help of quantitative models, it is possible to obtain a fairly accurate short-term forecast in those situations when the external environment does not undergo serious systemic changes. If the trend line changes significantly, then quantitative models lose their meaning, so there is a need for a qualitative approach based on expert assessments.

The financial forecasting algorithm involves extensive use of expert assessments, setting goals and determining ways to achieve them using predictive calculations based on financial models.

The algorithm of the financial model of profit planning of a commercial bank is presented in fig. 3.

Financial forecasting can be implemented both on the basis of inertial properties of processes and on the basis of the study of cause-and-effect relationships. Forecasting based on inertial properties involves the approximation of retrospective period data and the determination of the development trend of the researched process, the continuation of which into the future is the basis for extrapolation of time series. When studying the cause-and-effect relationships of economic phenomena, the identification of dependencies between interrelated phenomena that develop over time, indicators, is of great importance. For this purpose, multivariate models are built using time series.

Currently, in the process of creating financial forecasts, the methods of intellectual data analysis, which are used to study trends, cause-and-effect relationships, and decision-making in conditions of uncertainty, have become widespread. One of the main types of intelligent data analysis tools used in banking forecasting is neural networks – a process of analytical research of information in order to identify certain regularities and systematic relationships, which can then be applied to new data sets [1].

The modern market is dynamic, and domestic banks are forced to adapt to the conditions of the rapidly changing external environment, often they have to work in conditions of uncertainty even in the short term. The global financial crisis showed that Ukrainian companies have serious problems in the financial management system. One of the reasons for this situation is the lack of complete, timely, relevant and accurate information not only about the future, but also about the current financial state of the company.

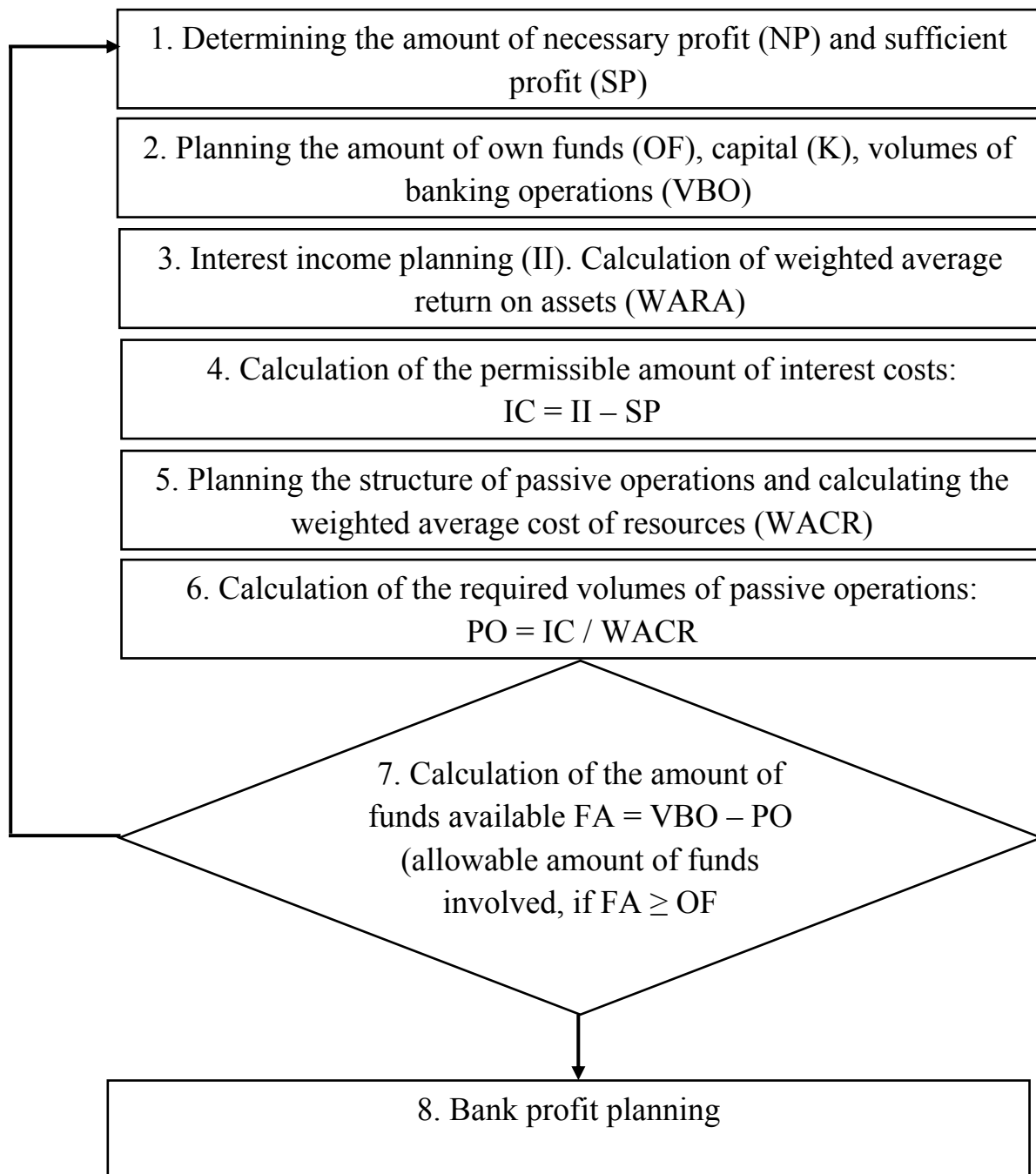


Fig. 3. Algorithm for the formation of forecast profit of a commercial bank

The main difficulty that arises in the process of implementing full-fledged financial planning is the system of goals that the heads of organizations set for themselves. Most often, they choose profit as a goal, but at the same time they forget about liquidity, balanced financial flows; therefore, there is no question of any coherent system of financial goals. In addition, the actual problem of making effective planning and forecasting calculations is the limitation of the tools and information used. In today's conditions, the traditional requirements for banking planning and forecasting systems require drastic changes:

- it is necessary to emphasize not on receiving reports on the results of activity of past periods, but on forecasting future results, using both traditional forecasting tools and new technological systems;

- in the process of drawing up both long-term and short-term forecasts, it is necessary to use the possibilities of scenario modeling, the high variability of which will allow analyzing and planning several possible options for the development of events;

- it is necessary to organize the joint use of management information during the implementation of the processes of making planned and current decisions;

- tasks of effective operational and strategic planning require the use of a single methodology of financial analysis and forecasting in the strategic and operational horizons of management, as well as in the analysis of activity efficiency, identification and elimination of risks associated with banking activities.

Prerequisites for improving the quality of the forecast are the consideration of the widest possible spectrum of substantively different (but at the same time policy options that are theoretically implemented) and an adequate description of the logic of the formation of possible consequences of their practical implementation. Since different options for the future (in particular, different forecast estimates of the same economic indicator) are the consequences of the implementation of different development scenarios, the ambiguous result of the forecast becomes its merit, not a disadvantage (a manifestation of insufficient professionalism, which does not allow giving an “accurate” forecast). At the same time, the quality of the forecast is determined not by the accuracy of the prediction, but by the adequacy of the description of the mechanism of the formation of the consequences of the implementation of the considered development option and the accuracy of the corresponding estimates.

Internal banking forecasting and planning, being an organic element of the management system, is a process of designing the desired future and effective ways to achieve it. Planning decisions must be provided by a set of organizational and technical, economic, financial and social conditions. Preparation of high-quality information about the bank's financial and economic activities, use of modern computer support, application of more complex mathematical forecasting models capable of taking into account non-standard situations and crisis phenomena, shift of emphasis towards forecasting future events, risk forecasting – all this in modern conditions contributes to effective activity commercial banks. That is why the most important areas of work of a financial manager in a bank are financial planning and forecasting.

In the decision-making system, such a management function as financial forecasting is of great importance, which allows you to “look” into the future, to simulate a possible “scenario” of changes in income and expenses. The forecast is based on the study of retrospective information about the state of these objects, the existing trends in their development, and the determination, in accordance with the revealed patterns, of the expected trend of their change in the future. As a result of forecasting, it is possible to use various methods: mathematical modeling, index, normative, expert assessments, balance sheet, extrapolation method and others.

In this study, we will use the method of extrapolation based on drawing up a perspective based on the practice of past periods. This method is suitable for forecasting those items of expenses and income that are relatively stable in nature. The purpose of the extrapolation method is to reflect what state a given object can reach in the future, if its development in the future will be carried out at the same speed or acceleration as in retrospect. When forecasting the amount of income and expenses of the bank for the future, an economic and statistical analysis of the formed trends is used, which allows, on average, with a certain degree of probability to level the influence of many factors, to identify the most common in the set of trends.

In accordance with the purpose of the research, based on a retrospective analysis of the financial results of JSC CB “PrivatBank”, we will perform a short-term forecast of the main deterministic factors of the bank's profit growth – interest and commission income and expenses. We will use the trend extrapolation method. Technically, the forecast was made using the Excel program.

Retrospective (for the previous five years) actual data of interest and

commission income of JSC CB “PrivatBank” [14] were used to perform the forecast. Comparing the series of data, we observe the presence of a dependence between time and the volume of the bank’s income, which is close to a linear function.

Therefore, it can be assumed that the relationship between the indicators is direct, and it can be described by a function of the form:

$$y_t = a_0 + a_1 t, \quad (1)$$

that is, the equation of a straight line.

The method of least squares was used to find the parameters of the linear paired regression, which minimizes the sum of the squared deviations between the observed and estimated values.

The system of normal equations for finding the parameters of linear pairwise regression by the method of least squares has the form:

$$\begin{cases} \sum y_t = na_0 + a_1 \sum t \\ \sum y_t t = a_0 \sum t + a_1 \sum t^2 \end{cases}, \quad (2)$$

where  $n$  – the size of the studied population.

According to the results of the calculations of the system of normal equations and obtaining the parameters  $a_0$  and  $a_1$ , we will draw up the equations of the straight lines:

– for interest income:

$$y_t = 4627,5 + 6946,7 \times t, \quad (3)$$

– for commission income:

$$y_t = 3506,7 + 4952,02 \times t, \quad (4)$$

So, we can calculate forecast data of interest and commission income for 2023 and 2024 years:

– for interest income:

$$y_{2023} = 4627,5 + 6946,7 \times 6 = 46307,7;$$

$$y_{2024} = 4627,5 + 6946,7 \times 7 = 53254,4.$$

– for commission income:



$$y_{2023} = 3506,7 + 4952,02 \times 6 = 33218,82;$$

$$y_{2024} = 3506,7 + 4952,02 \times 7 = 38170,84.$$

The calculation allows us to assume that in the short term, other things being equal, the bank's interest and commission income will continue to grow. In 2023 year, their possible amount of interest income will amount to UAH 46307,7 million, in 2024 year – UAH 53254,4 million. In turn, on commission income – UAH 33218,82 million. and UAH 38170,84 million. respectively This can serve as a positive prerequisite for the growth of the bank's profit in the near future.

Next, we will similarly carry out the forecast of interest and commission expenses of JSC CB "PrivatBank" for 2023-2024 years. The relationship between time and the amount of bank expenses is close to a linear function, so the relationship between indicators can be described by the equation of a straight line.

According to the results of the calculations of the system of normal equations and obtaining the parameters  $a_0$  and  $a_1$ , we will draw up the equations of the straight lines:

– for interest costs:

$$y_t = 849,97 + 1574,52 \times t, \quad (5)$$

– for commission costs:

$$y_t = 973,16 + 1737,34 \times t, \quad (6)$$

So, let's calculate the forecast data of interest and commission costs for 2023 and 2024 years:

– for interest costs:

$$y_{2023} = 849,97 + 1574,52 \times 6 = 10297,09;$$

$$y_{2024} = 849,97 + 1574,52 \times 7 = 11871,61.$$

– for commission costs:

$$y_{2023} = 973,16 + 1737,34 \times 6 = 11397,2;$$

$$y_{2024} = 973,16 + 1737,34 \times 7 = 13134,54.$$

We can assume that, other things being equal, the bank's interest and commission expenses growth trend is expected to continue: in 2023, their forecast amount for interest expenses will be UAH 10297,09 million, in 2024 – UAH 11871,61 million, and for commission expenses – UAH 11397,2 million. and UAH 13134,54 million, respectively.

So, after forecasting the main factors of the bank's profit growth based on the extrapolation method, we can see that, other things being equal, in the near future the indicators of interest and commission income and expenses will maintain an upward trend. For an objective assessment, it is necessary to compare the received increments of forecast values with a certain basis of comparison in order to analyze probable changes in financial results. As a basis, we will choose the net profit of 2022 year (table 2). The obtained calculations show that in 2023 year the forecast increase in interest expenses has a relative anticipatory value (+21,6%) compared to the increase in interest income (+8,7%), which may have a restraining effect on the margin expected in 2023 year and the amount of net profit. At the same time, in 2023 year, the relative forecast growth of commission income (+0,9%) is ahead of the forecast growth of commission expenses, which are even slightly decreasing (-3,7%), which may positively affect the expected net profit in 2023 year. In 2024 year, the ratio of forecast parameters for interest income and expenses is more optimistic.

Thus, in the forecast period, the bank's net profit is expected to increase due to the increase in revenues at a higher rate than expenses. The most optimistic is the increase in net profit due to the increase in the positive difference between the bank's commission income and expenses.

Table 2

Assessment of forecast values of the bank's income and expenses relative to net profit in 2022 year

Indicator	2022 year	2023 year (forecast)	Growth from 2023 year to 2022 year		2024 year (forecast)	Growth from 2024 year to 2022 year	
			million hryvnias	% to profit		million hryvnias	% to profit
Interest income	43685,0	46307,7	2622,7	8,7	53254,4	9569,4	31,7
Commission income	32945,0	33218,8	273,8	0,9	38170,8	5225,8	17,3
Interest costs	3768,0	10297,1	6529,1	21,6	11871,6	8103,6	26,8
Commission costs	12505,0	11397,2	-1107,8	-3,7	13134,5	629,5	2,1
Net profit	30198,0	–	–	–	–	–	–
Net interest income	39917,0	36010,6	-3906,4	–	41382,8	1465,8	–
Net commission income	20440,0	21821,6	1381,6	–	25036,3	4596,3	–

At the same time, it should be noted that in addition to the time factor, the amount of profit is also affected by many other internal and external factors, the "behavior" of which, accordingly, affects the change in the bank's financial result.

Therefore, in the modern conditions of the intensively developing financial and economic environment, the volume of banking services is constantly increasing, and accordingly, the range of their possible income and expenses is expanding.

However, a significant increase in the interest margin may have a negative impact on the expected increase in the bank's net profit. Therefore, the bank should obviously strive for some reduction in the share of interest income associated with interest risk. Banking experts note that the more the bank earns from commissions, the more stable its work is. This is explained by the fact that the commission is less related to the bank's risky operations [17].

Commission income, after interest, is the second most important source of income, and is a relevant and promising area of financial and economic activity of commercial banks in the market of banking services. Services are ranked by the level of commission income as follows [17]:

- 1) bank transactions with plastic (payment) cards;
- 2) lending activity (loan operations of banks);
- 3) operations on settlement and cash service for legal entities and individuals;
- 4) operations with foreign currency and monetary documents expressed in foreign currency;
- 5) consulting and information service for clients;
- 6) other bank services.

Banking operations with payment cards, in terms of profitability, occupy a prominent place in the commission income of Ukrainian banks, therefore, for the bank, the production of plastic cards is an objective necessity, because their distribution and use creates obvious conveniences and advantages over competing banks [6].

Thus, transactions with bank plastic cards are one of the promising directions for receiving commission income and increasing profits. One of the operations that is in growing demand is acquiring, a service that allows merchants to accept bank cards from buyers as a method of payment for goods and services sold. For the bank and for the trading firm, the obvious advantages of acquiring are: increasing financial turnover due to the attraction of new customers – owners of bank plastic cards; the

possibility of accepting cards of various international payment systems for payment, which gives buyers a wide choice of payment options; elimination of money conversion problems; protection against counterfeit money (fake banknotes and coins); the possibility of cashless payment for goods and services remotely, by bank card using Internet connection (when using Internet acquiring).

The bank receives a commission fee – a certain percentage of the purchase amount at this point of sale using a bank card. The size of the commission is determined by the bank for each trading firm individually, because it is affected by a number of factors, in particular:

- history and specifics of the organization's field of activity;
- average monthly trade turnover;
- the volume of occupied commercial space;
- the number of points of sale of the trade organization;
- type and method of information communications (communication), etc.

Practice shows that the bank commission rate varies from 1,5 to 4% of the transaction amount. An important condition is that the bank pays a percentage of the corresponding payment system (about 1,1% on average) from the received commission. Following domestic and foreign experience, it is expedient to more intensively develop such a convenient and modern way of managing financial flows as remote banking: internet banking, mobile banking. Also, in order to increase the volume of services and, accordingly, the volume of commission income, it is important to expand service through ATMs and payment terminals. Their lack is especially felt in rural areas.

An equally important reserve for increasing profit and profitability is the development of a new service for domestic banks – a bank guarantee. In the last few years, a bank guarantee has become an increasingly common service due to its use as a security for the performance of contracts.

At the same time, a significant share of the bank's profit will remain from interest income received from loan operations. Therefore, in the future, bank managers need to show more and more ingenuity in the field of developing new lending methods, attracting the largest number of customers.

In addition, the bank must constantly improve the quality of services and develop the customer service system. Thus, for quick diagnosis, users of financial information can use the method of express analysis of financial results and

profitability of the bank's activities. Despite the seeming limitation of input and output data, it is possible to draw objective conclusions about the level of economy in the use of resources, about the level of influence of various active operations of the bank on the formation of its profit, about the level of profitability of the bank's own sources of financing, about the level of profitability of all its assets. The short-term forecast allows users to obtain information about the possible near-term perspectives of changes in the bank's profitability and to make an appropriate decision.

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### **6.3. LAND FEE IN UKRAINE: CURRENT STATE AND PROSPECTS OF DEVELOPMENT**

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**Summary.** The publication is devoted to the analysis of the mechanism of taxation of land resources in Ukraine and the identification of problems of its functioning and development prospects. During the writing, the following methods were used: historical, dialectical, comparative legal, analysis, synthesis, statistical analysis. The dual essence and legal nature of mandatory land fees in Ukraine is determined. The features of the mechanism of land taxation in Ukraine, including such during the war, are revealed. Examples of land taxation in some countries are considered. The fiscal significance of land fees for the Consolidated Budget of Ukraine has been assessed and a statistical analysis of the receipt of land fees to local budgets has been carried out. The problematic aspects of charging for land in Ukraine are considered and the prospects for overcoming them are outlined.

**Keywords:** land fee, rent, local budgets, land market, land reform.

The economy of Ukraine is currently in a state of crisis, which is mainly determined by the war with Russia and has a number of other objective factors. Business entities have lost the possibility of effective production activity and a significant part of sales markets. The purchasing power of the population also decreased sharply. As a result, budget losses also increased. The volume of centralized financial resources has decreased, and this factor limits the financial capabilities of the state and its ability to perform its functions. Payment of taxes for the use of natural resources provides an opportunity to replenish budget resources. Taxation of land resources is one of the most important and complex elements of the tax system of Ukraine. The specificity of their taxation determines the efficiency of enterprises in the agrarian sector of the economy. All of the above stated makes the topic of this scientific research important and relevant.

The purpose of this study is to conduct an analysis of the features of taxation of land resources, to identify problems and shortcomings of the mechanism of land fee,

and to develop proposals for its improvement.

The object of the study is social relations in the field of taxation of land resources. The subject of the study is the mechanism of making mandatory land fees in Ukraine.

General and special scientific studies became the theoretical and methodological basis of this research: dialectical – for studying the theoretical and normative provisions of making mandatory land fees; comparative and legal was used during the analysis of foreign experience of taxation of land resources; analysis – during the study of the fiscal value of the land fee in the formation of revenues of local budgets of Ukraine, statistical analysis – during the study of trends in the dynamics of the volume of revenues from the income of mandatory land fees.

Educational, scientific and methodological works, statistical data of the State Statistics Service of Ukraine and the National Bank of Ukraine became the information base for the monograph.

Land resources are one of the defining types of resources that determine the potential growth of the country's national wealth. They form an ecological system, they are the main means of production in agriculture, forestry and water management, land resources also contribute to meeting the social and natural needs of the population. The concepts of «land resources» and «land» do not have a clear established definition in the field of legal and economic sciences. Many publications are devoted to the definition of these concepts, but they are tangential to natural definitions and they are limited from the point of view of law or economy. For example, from the point of view of geography, «land» is the entire surface of the planet, which has a material, physical embodiment. From a political and legal point of view, «land» is a geographical object that is distributed between states and can be defined a sign of their integrity. From the point of view of economic theory, «land» can be defined taking into account its «natural origin», considering that land resources are a part of the land with its natural wealth – soils, biota and surface waters. As a resource for social production, land performs many important functions for the sustenance of humanity, and becomes the basis for the formation of basic socio-economic ties. As a result, all members of society are involved in land relations and socio-economic relations formed on their basis. K. Marx writes about it like this: «...land is a space necessary as a condition for any production and any human activity.» Thus, the concept of «land» represents a certain integrity, unity from the



natural–scientific, socio–political and economic points of view:

– from a natural and scientific point of view – the land is a material object that has certain physical properties, is capable of self-regeneration and is involved in the natural cycle of things;

– from a socio-political point of view – the land is the surface of the planet, on which socio-political formations that determine the sovereignty of states and peoples are located;

– from an economic point of view – land is an object and a tool of labor, on the basis of which products that have life-sustaining and consumer properties and value are created.

The Laws of Ukraine have separate formulations of the terms «land», «land plot». The term «land» is defined in the Law of Ukraine «About Land Protection» [24]. According to this law, it is stated that «the land is the land surface with soils, minerals and other natural elements that are organically combined and function together with it.» The concept of «land plot» is defined in the Land Code of Ukraine [18], where it is described in part 1 of Article 79 as follows: «A land plot as an object of ownership is a part of the land surface with established boundaries, a certain location and defined rights in relation to it». That is, from a legal point of view, land is a natural material object that can be owned and can be involved in legal relations. One of the directions of legal relations with the land is relations regarding the creation, distribution and redistribution of added value on it. Financial and legal relations, part of which are relations on taxation of land resources arise.

Thus, «land», «land resources» have many different functions and various purposes.

At the same time, land resources are a specific object of taxation. The specificity of land resources as an object of taxation is determined [15]:

– by the relative nature of the value of land resources as a commodity (depending on the quality of land, its location, purpose and history of use);

– by the relative nature of the value of land as a means of production (depending on the ecological environment, the efficiency of involvement in production, natural and climatic conditions, the direction of use, the need and cost of mechanization, the involvement of human labor, etc.);

– by accounting and assessment of individual plots of land in the Land Cadastre, the creation of which has not yet been completed;

– by the administration of mandatory land fees, the mechanism of their collection.

The land fee is one of the most fiscally significant mandatory payments in Ukraine and it is paid over a long period of time. However, there is still no unity in the understanding of its essence in modern economic science. All debatable points in the understanding of the essence of land payment are determined by the combination of two mandatory payments in it – land tax and land rent. The land fee is defined as a general concept that contains two components: land tax, which is defined as a monetary payment to the budget established by the legislative body and ensured by state coercion, paid by land owners on the basis of obligation, unilaterality and individual gratuitousness in order to meet general societal needs; rent for land of state, communal forms of ownership, paid by land users in accordance with the lease agreement [5, p. 13].

It is possible to assert the existence of two main aspects of the manifestation of the land fee (Fig. 1).

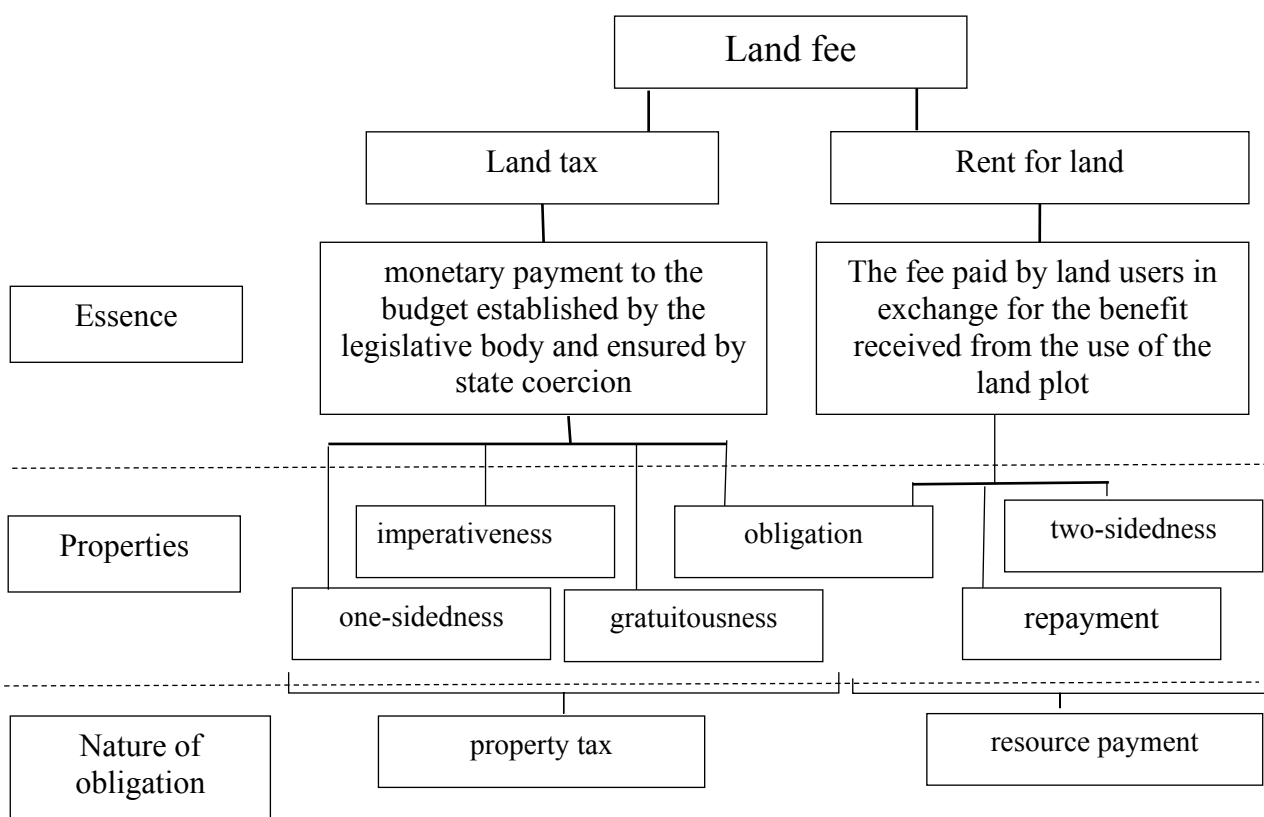


Fig. 1 – Two aspects of the manifestation of the essence of the land fee

Thus, the land tax, which is a form of property tax, has properties inherent to all taxes: imperativeness, obligation, one-sidedness and gratuitousness [21].

Imperativeness (magisterial coercion) of the land tax manifests itself in a rather significant volume, since neither the amount of obligations nor the collection mechanism is related to the amount of income received from the land plot in possession or the amount of the owner's income. The lower limit of the value (estimated value) of the land plot, which is the basis for calculating the amount of obligations, is also limited. Even more, the very fact of receiving any income or benefit from owning a land plot is not mandatory.

The property of imperativeness is inherent in the rent for the land, however, on the basis of the definition of the very essence of the concept of the fee, it is understood that the land user uses the land, therefore, in one way or another, he receives a benefit from its use.

The property of obligation is inherent in both components of the land fee, but it also manifests itself differently. For land tax, the obligation means the necessity of unconditional fulfillment of the obligations of the payer to the state, which determines the formation of public legal relations. For land rent, obligation means the need to fulfill the contractual obligations of the land user to the landowner (it can be the state, territorial community, legal entity, natural person), which determines the formation of both public and private legal relations.

One-sidedness in the payment of land tax is determined by the vector orientation of financial obligations and authority, while in the collection of rent there is an asymmetric, but bilateral orientation of obligations and powers. Likewise, differences in the essence of land tax and land rent form the properties of gratuitousness and repayment.

The legal nature of both components of the land fee is public, but the legal relationship is implemented quite differently. Differences in the mechanism of implementation of legal relations of land tax and rent for the use of land resources are determined mainly by the peculiarities of the institution of ownership. Thus, land tax payers are persons (legal entities or individuals) who own all three components of land ownership (ownership, command and rights to use). Payers of rent for land have only one component of ownership (the rights to use). At the same time, the fiscal burden on the payers of both components of the land fee is practically the same and does not correspond to their institutional differences. The improvement of the land tax collection mechanism should also take into account the fundamental theoretical differences in the essence of the land tax and rent for the use of land resources.

The functions of taxes determine their economic essence. Domestic financial science traditionally pays considerable attention to the study of taxation functions.

Consider the functions of land taxation [28]:

- stimulating function – stimulation of rational land use;
- regulatory function – allows to equalize business conditions for enterprises operating in different conditions;
- fiscal function – compulsory collection of taxes for the benefit of local or state budgets, with the aim of improving the infrastructure of the community as a whole.

Land tax has significant advantages both fiscally and regulatoryly, including:

- the possibility of evasion of taxation with land tax;
- ensuring effective use of land as the main natural wealth of society, the state seeks from landowners due to the stimulating function [14, p. 28].

Land taxation in Ukraine is represented by the land fee, which was introduced in 1992. Until 2015, this tax belonged to the national taxes, however, from January 1, 2015, the land fee became part of the property tax and was transferred to the local taxes. It is worth noting that village, settlement, and city councils make decisions on setting local taxes and fees within their powers. Thus, local self-government bodies have been given the authority to establish land fee rates within the limits of the maximum amount, land tax benefits, and normative monetary valuation of land plots located on the territory of settlements.

The concept of «land fee» should also be considered through the prism of financial law and legislation of Ukraine. «Land fee» is a generalizing concept and combines two mandatory payments – land tax and rent for land in state and communal forms of ownership. The land fee has two components, the regulatory legal support and administration of which differ significantly [2]:

- land tax as part of property tax
- rent for the use of land plots.

Article 14, Chapter 1 «General Provisions» of the Tax Code of Ukraine dated December 2, 2010 defines several concepts, such as «land fee», «land tax», «rent», and in section XII of Art. 265 «Property Tax» of the TC of Ukraine, the land fee is defined as a component of the property tax, considering Art. 10 – the land fee refers to local taxes and exists as a part of the property tax. So, according to the Tax Code of Ukraine, the land fee is a mandatory payment as part of the property tax, which is

paid in the form of land tax or rent for land plots of state and communal property of the TCU [21].

According to Article 14 of the Tax Code of Ukraine, only permanent land users and land owners must pay land tax as part of property tax. That is, for taxation purposes, a person must acquire the status of either a land owner or a permanent land user, which is also regulated by the Land Code of Ukraine [18]. In other cases, the land user pays the rent. At the same time, it should be taken into account that the payment of land tax as part of property tax does not give a person the right to own land. A permanent land user is not the owner of the land, although he is a payer of the land tax as part of the property tax. Determining the status of the land user is an important element of the land fee mechanism. In order to determine the status of the tenant of a land plot, it is necessary to determine its owner (most often a territorial community), to register the plot of land in the Land Cadastre, to determine the value (not lower than the normative assessment of land of this type in a given territorial community) and to conclude a lease agreement.

Therefore, it is legally determined that the components of land payment are rent and land tax. The definitions of these categories still do not sufficiently reveal the essence and meaning of the land fee, it is necessary to analyze the legal literature and define the objects and subjects of legal relations arising in the process of land fee payment.

Land tax payers are the owners of land plots, parts of land (shares) and land users (clause 269.1 of Article 269 of the Tax Code) [30]. However, according to Art. 14 of the Tax Code of Ukraine, land tax must be paid only by permanent land users.

The objects of taxation are:

- land plots that are owned or used;
- parts of land (shares) that are owned (clause 270.1 of article 270 of the Code);

The basic tax (accountable) period for land tax is the calendar year. At the beginning of the year, the taxpayer receives a decision-notification on the amount of the tax liability and pays the corresponding amount within 60 days. The decision-message also appears in the taxpayer's electronic account.

Other components of the land fee collection mechanism are tax rates. The entire land fund of Ukraine is divided into categories according to the purpose of their use. Land tax rates are regulated by Art. 273–277 of the Tax Code of Ukraine.

Yes, rates are set differently according to different categories of land. Depending on the purpose, the land fund is divided into categories. However, according to the TCU, the differentiation does not fully coincide with the provisions of the current Land Code of Ukraine (Article 19). According to Art. 275, 276 of the TCU, taxation of land plots within settlements is carried out at separate rates. Therefore, taking into account the provisions of Clause 1.1 of Art. 1 of the Tax Code and Art. 2 and Art. 3 of the Land Code of Ukraine, it is known that for the purposes of taxation with land tax, a person must have the status of land owner/land user acquired in the manner established by the Land Code of Ukraine. In accordance with clause 286.1 of Art. 286 of the Tax Code, the data of the state land cadastre is the basis for charging the land tax. Under such circumstances, the provisions of clause 287.8 of Art. 287 of the Tax Code of Ukraine by themselves cannot be a legal basis for a person to acquire the right to own or use a land plot located under an apartment building, where non-residential premises belonging to such a person are located, since such provisions contradict a special regulatory act – the Land Code of Ukraine, which are exclusively regulated by land relations, and, as a result, a basis for charging such a person a fee for land [28].

Therefore, tax rates differ by land category, special tax rates determined by the decision of the relevant Councils are applied within the settlements.

A special issue of the administration of land tax collection is the reconciliation of the registered area of the land plot, which is in land use or ownership. There are often disagreements regarding the size of the land plot that is at the disposal of the payer. In such cases, the payer agrees the amount of his obligations with the relevant territorial body of the tax service. Through his own electronic office or in person, in electronic form or in writing, he submits an application for reconciliation of data regarding the size of areas and the number of land plots, parts of land (shares) owned or used. At the same time, certified copies of documents certifying ownership of the land or the right to use it, as well as documents according to which the land plot is registered, are provided.

Therefore, the study of land tax administration should be used to create an effective taxation system.

Taxation of land resources in one form or another exists in every country of the world. And each country has its own peculiarities, its own model of such taxation. There are three basic models for making mandatory land payments:

- as an independent tax (Estonia, Latvia, Singapore, Taiwan);
- as part of property tax (Bulgaria, Czech Republic, Slovakia, Latvia, Hungary, Canada, Finland, Japan, Cyprus, Hong Kong, Germany, Netherlands, Ireland, Pakistan, etc.);
- as part of several taxes (China, Poland, France).

The first model of land tax is extremely rare. Most often, property, real estate, etc. taxation is involved in one form or another in this model.

Land resources are taxed according to the second model in more than 130 countries. As a rule, land resources are taxed as part of the property tax, together with them as part of this tax, buildings, structures, transmission devices, and other immovable property are taxed. Such active use in other countries of the second model of collecting mandatory land fees is due to the fact that the property tax is the least sensitive to changes in the economic situation, and the income from this tax is the most stable [16]. In addition, property tax has existed for a long historical period and has been used in a large number of European countries in one form or another. The Physiocrats generally believed that a land tax was «natural» because land was the source of all wealth. Political economists also believed that the tax burden should be shifted from income and wages to land rent (Adam Smith) [31].

In English, the term «property taxes» refers to taxes on land, real estate, and certain assets (US). In Western Europe, property taxes apply only to land and real estate. The term «property tax» also implies the permanent nature of the tax on land, real estate and other assets. So, these taxes are practically identical. In the tax system of foreign countries, as noted by I. I. Kucherov, direct taxes are imposed directly on the taxpayer's property or income, and are divided into real or personal. Real taxes are levied on property on the basis of the cadastre without taking into account the income tax payer received, in particular, land taxes [31]

It should be noted that in the conditions of the market transformation of the domestic economy, the issue of the formation of local budget revenues and the identification of reserves for their growth are gaining special relevance. Historically, land has become an important object of taxation in all countries of the world. Land taxation plays a special role in the aspect of solving local budget deficit issues. In many foreign countries, this role is performed by real estate taxes. The tax is introduced by local self-government bodies in order to receive funds to pay for the services they provide.

Ukraine, having announced its intention to join the EU, should gradually approach the European level of standards for meeting the needs of its citizens in public goods financed by taxes and fees. The use of property tax to finance local public services ensures the relationship between taxes paid and benefits received, which is an important principle of organizing an effective taxation system. As I. O. Lyuty rightly points out, expanding the base allows citizens to participate in financing the services they receive from local authorities. And this is not only evidence of their willingness to pay for the services they consume, but also helps them to a greater extent feel like full-fledged citizens of their country [11, p. 187]. It should be noted that in this meaning, the legal regulation of taxation as one of the main means of state influence on social relations is carried out with the aim of regulating them in the interests of person, society and the state. World experience shows that if the right approach is used, the real estate tax can become one of the important items of the revenue part of the budget. It provides up to 81 % of revenues to local budgets in Canada, from 10 to 70 % – in the USA. In countries with developing economy, according to the World Bank, real estate tax accounts for 40–80 % of payments to local budgets [20, p. 119]. At the same time, V. S. Dmytrovska expressed the opinion that in the countries of Eastern Europe, the situation with the introduction of real estate tax is complicated by the weak development of the real estate market, the lack of necessary information and reference systems, high rates of inflation and other factors [9]. The experience of land taxation in foreign countries testifies to the gradual rejection of the real principles of land tax administration and the construction of a mechanism based on the principles of personal taxation. In this form, the land tax agrees with the amount of income received by the owner of the land or the one who uses it. In many countries of Eastern Europe, the amount of property tax depends on the area of real estate, not on its value, which, according to L. Ethel, is a «relic» of the communist era [13, p. 114]. Agreeing with this position, we consider it expedient to reform the rules of property taxation, in particular, the introduction of the cadastre and tax on the value of property in these countries. It should be noted that real estate tax is exclusively a local tax in EU countries, although its marginal rates are determined at the central level. In Great Britain, this is the main local tax (which has the largest share in the revenue structure), which also includes the land fee [17, p. 550]. Property tax in foreign countries is credited either to the central budget (Sweden, Greece, Belgium) or to both the central budget and the



local budget (Bulgaria). However, it should be noted that in most countries this tax is local and is paid into the local budget. It acts as one of the main sources of income for the budgets of local self-government bodies. In particular, it provides up to 95 % of revenues to local budgets in the Netherlands, 81 % in Canada, 52 % in France, and from 10 to 70 % in the USA [31]. According to the existing tradition in the world, real estate tax rates are determined in the fixed form (percentage of the tax base) or variable one, taking into account the planned budget expenditures and the amount of the existing tax base. The structure of the real estate tax rate depends on the needs for tax revenues, as well as, according to I. O. Lyuty, on the political and economic culture [11, p. 188]. This position is also supported by economists who believe that in international practice, the size of real estate tax rates depends on the peculiarities of national legislation and economic practice and is largely determined by political factors, and therefore it is not for nothing that this tax is considered a test of democracy [19, p. 132]. A significant role in the regulation of land taxation in the countries of the world is played not only by central authorities, but also by municipalities. In the Netherlands, the provinces have very limited powers of tax initiative. Municipalities have wider fiscal powers.

In Canada, tax rates are calculated taking into account municipal budget expenditures, that is, local needs are determined first, and then the land tax rate is set. Land is assessed based on market value and therefore rates can vary significantly across municipalities. This leads to the adequacy of rates and at the same time there is no talk about increased tax rates. This approach to land taxation instills trust to local authorities and reduces tax evasion. In many countries, the tax rate is less than 1 % of the tax base, but the rates are relatively high in Pakistan (up to 26 %), Singapore (12 %) [31]. According to the general scheme, marginal rates for land taxation are determined at the central level and are adjusted by local authorities. The combination of two levels of government when deciding on land taxation allows you to objectively determine all the necessary indicators and take into account local features. In the Czech Republic, tax rates depend on the type and purpose of the land plot, which can be adjusted by local authorities with a correction factor depending on the population of the municipality. According to the third model, when land taxation is carried out by several taxes, the experience of China seems interesting [27]. There, land taxation is regulated by several taxes depending on the location of the land plot (urban land use tax), purpose (agricultural land ownership tax) and ownership form (urban real

estate tax). Despite the variety of taxes, their marginal rates are determined at the central level with local adjustments. Thus, the amount of tax on the use of urban land is set by the central government, and local authorities determine the amount of land used and rates within the limits established by the government. In Poland, depending on the way of its use, three taxes belong to land taxation: real estate tax (land, houses, buildings), agricultural tax and forest tax. It should be noted that the peculiarity of land tax calculation in this country is not the market value of the land plot, but its area. This approach is sufficiently transparent and simple to administer, but this position does not take into account the nuances of the development of a market economy and unevenly distributes the tax pressure, which raises certain doubts. In France, land taxation is governed by two taxes: a tax on developed (built-up) land and a tax on undeveloped (unbuilt) land. The peculiarity of these taxes is that the tax base is determined on the basis of the rental value of land according to the land cadastre, which is not rent under normal market conditions, but is a theoretical profit from real estate based on the assessment of local authorities. In the aspect of administration, the Bulgarian taxation experience is important for Ukraine, in our opinion. When purchasing real estate, the payer is required to submit an annual tax return. If the real estate object (land or building and land) has not undergone any changes in the following time, it is not necessary to additionally submit annual declarations and at the same time the tax is paid in equal parts every quarter. This declaration procedure simplifies and thus improves tax administration. In order to increase the conscientious payment of land tax, it is necessary to take the taxation procedure, in which if the payer pays the tax once a year in full by March 31, he receives a discount of 5 %. The annual property tax rate is the same for both legal entities and individuals (0,15 %) [31]. It is determined by the tax authority according to complex formulas and therefore – with written notification of all tax payers. Property tax in Bulgaria is the lowest in Europe. It is calculated from the tax assessment of immovable property and is determined for each municipality by the relevant council. Foreign experience indicates a gradual change in the ratio of the fiscal function of the land tax with other functions of taxation. As mentioned above, land tax abroad is the basis of local budgets. Moreover, in addition to the fiscal function, the regulatory function which consists in the establishment by the state of a system of regulators to force landowners to use the land efficiently is distinguished, without impairing soil fertility, since the tax is not only a fiscal tool for ensuring the financial needs of

municipalities, but also an important regulator of land relations. The presence of a land tax encourages the owner or user to use the land economically. As the experience of Bulgaria shows, in the case of uncultivated plots of land, their owners are taxed at increased land tax rates, which creates an economic interest of land owners in its continuous cultivation. In Italy, if the land plot is not used for its intended purpose, the cadastral assessment increases according to the established system of coefficients to a maximum of 300 %.

In most countries of the world, real estate tax payers are defined by legislation as both physical and legal entities – owners of real estate (land, structures, buildings). In some countries, in particular in Great Britain, the tax payer is also the property user, and in the Czech Republic, in some cases, the land tax payer can be the tenant, if the owner of the plot is not established. Note that in some countries, in the absence of special conditions, the owner of the land automatically becomes the owner of the real estate located on the land plot. Therefore, the right to own land presupposes the right to own real estate. If the real estate is located on leased land, separate registration of the building or structure is required. It should be noted that most countries use mainly the market value of land when determining the tax base, but the market value assessment is possible only if there is a full-fledged real estate market. Having studied the international practice of taxation of real estate, in particular land, it was noted that there is a different approach to granting benefits. In some countries, benefits are provided to real estate objects and not to taxpayers, in others – a combination of both methods. Benefits can be indefinite or temporary, and sometimes they are provided according to the specific features of the buildings.

Mandatory land fees are a significant source of financial resources for local budgets. They form a significant share of the general fund of local budgets, which is confirmed by the analysis of their volume for 2015–2022 (table 1). Data on the implementation of the revenue part of the local budgets of Ukraine and the receipt of land fees were obtained from the website of the Ministry of Finance [26].

As can be seen from this table, the volume of revenues to the general fund of local budgets was constantly growing: by 46,89 % in 2016, 30,90 % in 2017, 21,90 % in 2018, 17,56 % in 2019. year, 5,44 % in 2020, 21,34 % in 2021. Even Russian aggression did not change the trend, and in 2022 the volume of revenues to the general fund of local budgets increased by 13,44 % against the planned 12,08 %. Such growth is connected, first of all, with an increase of the financial independence

of local budgets. In contrast to the high rates of growth of the general fund of local budgets, the volume of income from land fees does not change so quickly. Thus, the growth rates of mandatory land fees were: 61,06 % in 2016, 13,3 % in 2017, 3,48 % in 2018, 20,19 % in 2019, – 4,13 % in 2020, 12,04 % in 2021. As we can see, the growth in the volume of revenues from the payment of land fees occurs at a much lower rate than the growth in the volume of revenues to the general fund of local budgets.

Table 1

The volume of revenues from payment of land fees to local budgets of Ukraine

On years	General fund of local budgets, million hryvnias	Land fee, million hryvnias.	The level of implementation of the planned amount of income from the land fee, %	The rate of growth of the general fund of local budgets, %	The rate of growth of the land fee, %
2015	99800,0	14466,6	112,2		
2016	146600,0	23300,0	114,7	146,89	161,06
2017	191900,0	26400,0	103,8	130,90	113,30
2018	233930,3	27319,1	99,1	121,90	103,48
2019	275016,4	32835,0	120,2	117,56	120,19
2020	289986,0	31477,8	95,9	105,44	95,87
2021	351875,9	35268,3	101,4	121,34	112,04
2022, approved.	394400,0	34500,0	85,79	112,08	97,82
2022, act.	398100,0	29600,0		113,14	83,93

The analysis of the implementation of local budgets for 2023 shows a significant difference from 2022 in the field of growth. At the same time, it is worth noting that revenues to the state budget have also increased significantly compared to 2022. Thus, the increase in revenues of the general fund without transfers (actually own revenues: mainly this are tax revenues) from local budgets for 2023 is +11.0% (+43.8 billion UAH), compared to 2022. At the same time, the increase in revenues from the state budget is +21.1% (+212.9 billion UAH). This increase in the state budget is due to a significant increase in revenues from value added tax on goods imported into the customs territory of Ukraine (+44.7% or +113.1 billion UAH) and excise tax (+63.5% or +65.0 billion UAH). It is also worth noting the extremely high income growth of budget institutions' own revenues, which according to the state budget in 2023 amounted to UAH 767.0 billion, whereas in 2021 such revenues amounted to only UAH 51.3 billion, in 2022 - to UAH 202.1 billion. In fact, the

increase in own revenues of budgetary institutions in 2023, compared to 2022, according to the state budget in absolute terms amounted to UAH 564.69 billion [3].

The war caused a significant decrease in the amount of income from land tax payments. The drop in revenue was – 16,07 % against the expected 2,18 %. The reason for such a discrepancy between the growth rates of the general fund of local budgets and mandatory land fees is the lack of regulation and inefficient administration of the last ones. A significant amount of land is not yet included in the Land Cadastre and does not have a value estimated. The vast majority of taxed lands are assessed only according to the normative assessment, which does not correspond to their market value at all. The war interrupted not only the peaceful life of the Ukrainian people, but also many transformations, including the land reform.

Confirmation of inefficient administration of land fee is quite frequent non-fulfilment of the planned volume of revenues. Out of the seven analyzed years (not including the military year 2022), non-fulfillment of the planned amount of revenue from land payment was observed twice – in 2018 and 2021 – by 0,9 % and by 4,1 %, respectively. However, a significant overachievement of the amount of revenue from land payment also indicates ineffective tax planning and was also observed twice – in 2016 and 2019, when the overachievement of the revenue plan amounted to 14,7 % and 20,2 %, respectively.

As a result, the fiscal significance of the land fee in the formation of the general fund of local budgets is constantly decreasing (Fig. 2)

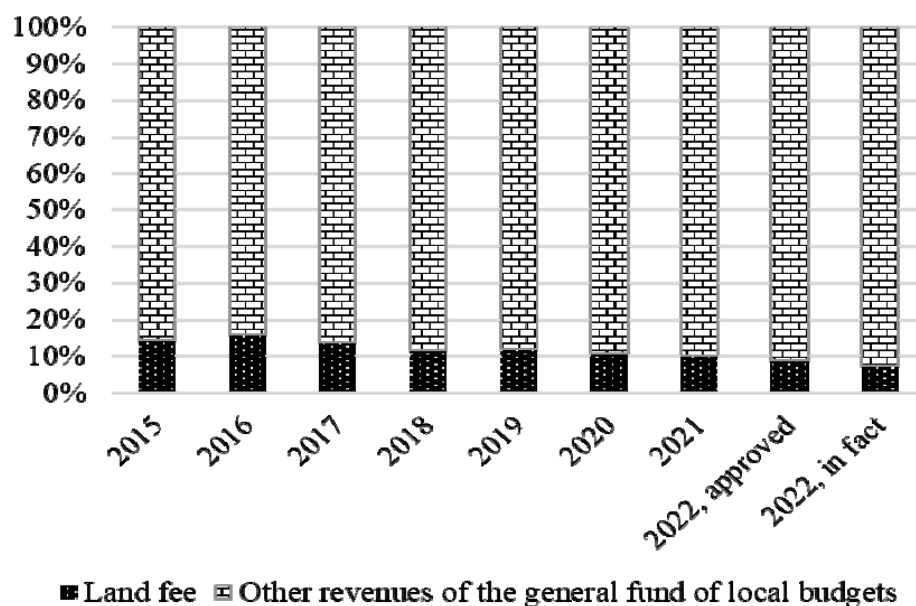


Fig. 2. Specific weight of mandatory land fees in the formation of revenues of local budgets of Ukraine, %

Thus, the share of mandatory land fees in the revenues of the general fund of local budgets constantly decreased and amounted to: 14,5 % in 2016, 15,89 % in 2017, 13,76 % in 2018, 11,68 % – in 2019, 11,94 % – in 2020, 10,02 % – in 2021. In 2022, this share actually amounted to 7,44 % against the expected 8,75 %.

Therefore, the fiscal significance of the land fee is constantly decreasing.

Thus, in our opinion, among the main factors that negatively affect the volume of income from land fees to the local budgets of Ukraine are:

- unsettled assessment of land as an object of taxation, a significant discrepancy between the normative assessment and the actual market value of the land;

- the actual absence of a land market, which determines the absence of a market assessment of its value;

- inefficient tax administration of mandatory land fees;

- the loss of a large amount of land as a result of Russian aggression and its withdrawal from active use, which led to a sharp decrease in the amount of income.

When conducting an analysis of the dynamics of the volume of revenues from the payment of land tax, it is necessary to take into account the change in the value of money over time. This is especially important in the conditions of the Ukrainian economy, since our economy is changing rapidly and the inflation rate is quite high. Inflation became especially significant in 2022 due to the war.

It will be correct to take into account the change in the value of money when assessing the dynamics of the volume of income from paying taxes, that is, to discount the volume of income. When taking into account the level of inflation, the indicator of the basic consumer price index according to the NBU [4] was used, which was 34,7 % in 2015, 5,8 % in 2016, 9,5 % in 2017, and 8,7 % in 2018, in 2019 – 3,9 %, in 2020 – 4,5 %, in 2021 – 7,9 %, in 2022 – 22,6 %. Discounting was carried out using compound interest and the volume of all revenues to the general fund of local budgets of Ukraine and from the payment of mandatory land fees was calculated according to the price level at the beginning of 2023. The results of the assessment of the dynamics of the volume of all revenues to the general fund of local budgets and from the payment of land fees with and without inflation are shown in Figures 3 and 4, respectively.

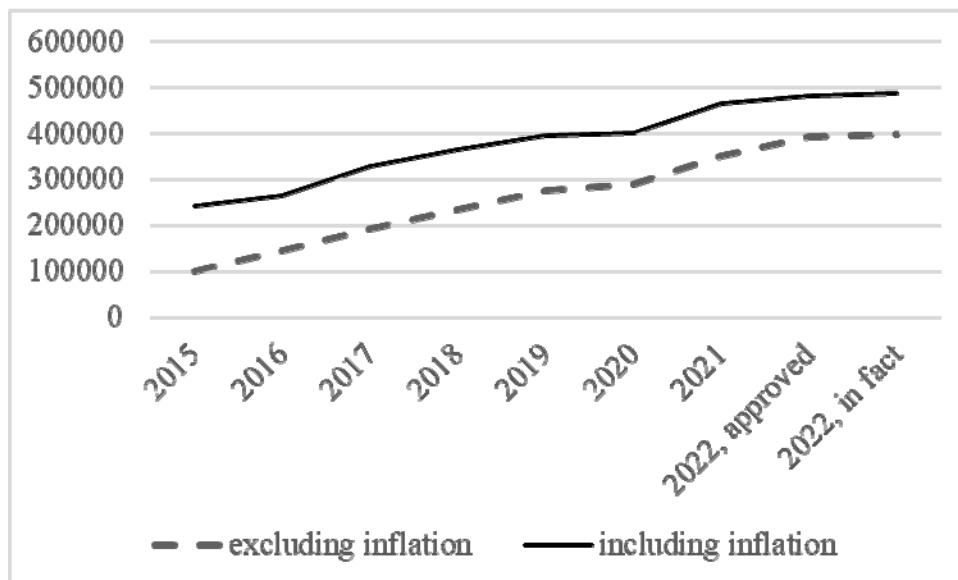


Fig. 2 – Dynamics of the general fund of local budgets of Ukraine, million hryvnias.

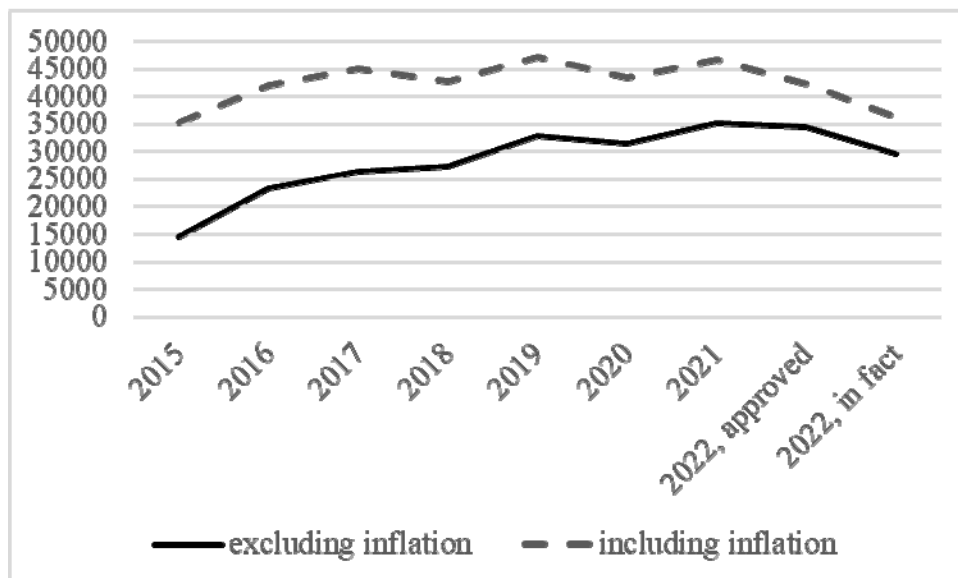


Fig. 3 – Dynamics of the volume of land fee, million hryvnias.

As can be seen from the above figures, the nominally high growth rates of all revenues to the general fund of local budgets are actually much lower, and in 2021–2022 the growth rates decrease almost to 0.

As for the dynamics of the volume of revenues from the settlement of mandatory land fees, they are not really high, the growth rates are variable – they range from positive to negative, and in 2021–2022, a significant drop is generally confirmed.

The next stage of the analysis of the dynamics of the volume of income from land fee is the construction of a linear trend.

Making time forecasts (building trends) is one of the simplest forms of

forecasting. This method formally describes the dependence of the dynamics of the indicator over time, which makes it possible to obtain approximate forecasts for the nearest periods.

The results of building linear trends are presented in Table 2. It was built two linear trends – for the amount of income from land fee with and without inflation.

If we compare the initial level of income from making mandatory land fees, it is much higher for the trend with inflation taken into account (37,643.8 million hryvnias) than for the trend for which inflation was not taken into account (15,124.44 million hryvnias).

Table 2

The results of building a linear trend for the volume of receipts of land fees to local budgets

Linear trend formula	Forecast volume of revenues in 2022, UAH million.	Planned volume of revenues in 2022, UAH million.	Actual volume of revenues in 2022, UAH million.	Deviation of the plan from the forecast, %	Deviation of the actual data from the forecast, %
If the trend is built without taking inflation into account $Y(t) = 15124,44 + 3042,7 \cdot t$	39466,07	34500	29600	12,58	25,00
If the trend is built with taking inflation into account $Y(t) = 37643,8 + 392,75 \cdot t$	48785,85	42297	36289,6	13,30	25,61

At the same time, the average growth rate of revenue for the trend determined taking into account inflation is much lower (+392.75 million hryvnias every year) than for the trend for which the level of inflation was not taken into account (+3042.7 million hryvnias every year).

Thus, the following conclusions can be drawn based on the results of the analysis of the dynamics of the volume of revenues from making mandatory land fees:

- the dynamics of the volume of income is determined mainly by inflation processes, the nominal growth of the volume of income compensates only for the depreciation of the value of the monetary unit;

- insignificant rates of growth of revenues, determined taking into account the



level of inflation, may also indicate the imperfection of the mechanism of taxation of land resources. Such imperfections, in our opinion, include a significant difference between the normative assessment of lands and their real market value. The irregularity of land relations is the basis of the fact that the land fee does not fulfill its functions.

It is worth noting that today there are significant problems in collecting fees for land in Ukraine [8, p. 5; 22, p. 112; 16; 32, p. 37]:

- the unsatisfactory state of land accounting that exists in the country, as well as shortcomings in the maintenance of land cadastral documentation, which is the basis for charging land tax;

- the incompleteness of the land accounting processes and the partial lack of documentation on the right of ownership or use of the land, which greatly complicates the mechanism of calculating and paying land fees in Ukraine, which leads to significant losses of local budgets;

- insufficient amounts of land payment to local budgets do not allow financing land protection measures from local budgets;

- introduced tax benefits are ineffective and do not contribute to stimulating land users to rational use of land and renewal of the country's natural potential; as a result, the tax benefits provided are only losses of local budgets;

- land purpose changes uncontrollably, i.e. land is transferred from agricultural to other categories. Such withdrawal of land resources from agricultural use has a negative impact on the development of the agrarian sector of the economy and contributes to a decrease of the area of agricultural lands, as well as a decrease in their quality; – lack of regulatory properties of the land fee, namely the connection between the amount of land tax per hectare of land and the actual amount of rental income from land use, which leads to the application of low land tax rates. The lack of a rent-based approach in the application of tax rates and the determination of the normative monetary value has led to mismanagement in the use of land resources, a decrease in soil fertility and, as a result, to low efficiency of agricultural production;

- insufficient level of implementation of the stimulating and deterrent property of land taxes, which does not allow to settle the issue of development of land relations, as a result of which the fertility of the land decreases and the area of agricultural land decreases, which negatively affects the agricultural sector and creates significant threats to the food security of the country.

Russia's attack on Ukraine led to the withdrawal of a large amount of land from economic use. Accordingly, the legislator adopted the Law of Ukraine «On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the application of norms for the period of martial law» No. 2120–IX dated 15.03.2022, which reduces or terminates the obligation to pay land tax and rent for land from March 1, 2022 to December 31 of the year in which martial law will be canceled or terminated [7]:

- for land plots located in the territories where hostilities are (were) taking place;

- in the territories temporarily occupied by the troops of the Russian Federation;

- on territories that are identified as littered with explosive objects or on which fortification works were carried out.

In addition, interest and fines are not charged today due to the provisions of sub-clause 69.1 of clause 69 of sub-section 10 of chapter XX «Transitional provisions» of the Criminal Procedure Code and the changes made to clause 129.9 of article 129 of the Criminal Procedure Code, namely according to the new version of sub-clause 129.9.7, penalty is not accrued, and the accrued penalty is subject to cancellation in the event of an act (action or inaction) by a person as a result of the introduction of a state of martial law or a state of emergency [10].

Certain territorial communities significantly reduced tax rates during the period of martial law. Thus, the Dnipro City Council, by decision No. 3/24 dated 13.07.2022, reduced the amount of land fees (land tax and rent) for legal entities and individuals in separate categories. The new norms came into effect on January 1, 2023. For example, for land plots for certain types of construction (residential and non-residential), the rate was reduced from 2,3 % to 0,5 %, and for industry, communication and certain land codes, transport and energy industry – from 2,3 % to 1.3 %. In the case of urgent works to eliminate the consequences of enemy's armed aggression (reconstruction, major repairs, restoration, new construction), a reduction factor of 0.3 is applied to the land fee.

The decrease in the amount of tax liabilities from land tax as part of property tax and land rent led to a significant decrease in revenues to local budgets. Such a decrease in income is of particular importance considering the fact that a significant amount of land is subject to restoration. Even before the beginning of the war, it was

noted that one of the main shortcomings of the land fee is the lack of at least a partial targeting of revenues for the restoration of the land fund [10]. Nowadays, the issue of land restoration is becoming even more urgent. In particular, it is necessary to:

- carry out restoration of lands littered with explosive objects and fortification works;
- carry out restoration of lands, such as irrigation and melioration for those lands, the quality of which has deteriorated due to the lack of similar works during the martial law;
- carry out restoration of lands for their return to economic use in accordance with the target direction and category by February 2022;
- restore the biota on lands of a separate category, which occurred as a result of actions during martial law.

Since the vast majority of land restoration costs are caused by Russia's aggressive war against Ukraine, the main source of funding for such costs should be reparations. However, it is also necessary to provide a targeted nature to mandatory land fees. At the same time, the resumption of work on the formation of the Land Cadaster, land assessment and accounting of landowners and land users is a necessary element of improving the mechanism for making mandatory land fees.

An important component of valuable land relations is the formation of a transparent land market, which ensures a fair assessment of land resources. This assessment is carried out not on the basis of a normative monetary assessment or an assessment of the cost of renting land plots, but on the basis of using market mechanisms. At the same time, the free circulation of land in Ukraine is hindered by a significant number of administrative restrictions, which are gradually being removed in the course of the land reform. Precisely the main purpose of land reform is to create legislative and institutional foundations for the functioning of the land market.

Historically, the date of the beginning of the land market in Ukraine can be considered July 1, 2021, when agricultural land became the object of market circulation. There was a moratorium on their purchase and sale for a long time. Of course, there were good reasons for this moratorium. In particular, it was necessary to create a Land Cadaster, develop a procedure for obtaining ownership of land, a mechanism for buying and selling land and the corresponding change of owner. It was assumed that the opening of a full-fledged land market would lead to the receipt

of 10 billion dollars every year both due to land sales fees and as a result of the increase in market value, which will lead to an increase in the level of tax revenues. Thus, the introduction of an open land market brought numerous benefits. With this in mind, in 2019–2021, 8 Laws of Ukraine and 49 by-laws were passed to ensure the implementation of land reform.

It was the model of land market development that was chosen to be liberal, with a minimum of restrictions, but its implementation dragged on for quite a long time.

Currently, 0.95 % of agricultural land out of 37.2 million hectares registered in the Land Cadaster is in market circulation. The average regulatory monetary value of land is UAH 27,520/ha, the rent for communal agricultural land is UAH 10,630/ha, and the average selling price is UAH 30,320/ha [1]. At the same time, the market shows a slow recovery compared to the pre-war characteristics.

Thus, the price of renting 1 ha of communal agricultural land in 2021 was UAH 23,220/ha, in 2022 it decreased to UAH 10,260/ha, and in the middle of 2023 it amounted to the already mentioned UAH 10,630/ha. Similar price dynamics are characteristic of all types of transactions on the land market. The price of commercial land is traditionally 3.5 times higher than the rent.

The land market in Ukraine has a clear geographical structure. Land transactions were most actively carried out in the south of Ukraine – in Odesa region, least actively – in the west, in Transcarpathia. Deals are quite active in the frontline regions as well, although prices there are five times lower than for similar areas in the west. Currently, in seven regions of Ukraine, the amount of land for which purchase and sale agreements have been drawn up exceeds 1 % of the total amount of agricultural land. In the Kharkiv region, despite its proximity to the front line, 1.59 % of agricultural land is in circulation. However, at the same time, a significant number of agreements on the purchase and sale of land, which were not concluded in connection with the war. The total number of land sales transactions in 2023 amounted to 244 transactions per day (a total of 145,091 per year), the average area of the sold plot was 2,2 hectares, and a total of 324,354 hectares changed hands [2].

Land plots, as one of the types of highly liquid assets, the value of which is constantly increasing, are often the subject of guaranteeing the credit obligations of agricultural enterprises and farms. Thus, loans were granted against the pledge of 2,526 hectares of agricultural land. On average, 2,7 thousand hryvnias/ha of loans

were issued to secure land plots (in the Kyiv region – 21,1 thousand hryvnias/ha). Also, together with the use of lands as collateral for loans, they are the subject of mortgage contracts. However, the average area of a land plot under mortgage contracts is much smaller, only 1,2 hectares.

In general, the implemented land reform in Ukraine brought substantial economic benefits, despite its extremely liberal nature. However, the war stopped the growth of the land market activity, and in some places partially destroyed the existing gains. According to its indicators, the land market in Ukraine in 2022 rolled back to the beginning of its existence and now recovering its dynamics. The advantages of using market laws for the formation of the value of land resources are all the more significant, as they can be used in taxation. For example, there is currently a pilot project on the mass market assessment of the value of land, provided for by the Law of Ukraine No. 3065–IX dated 02.05. 2023 «On Amendments to Certain Legislative Acts of Ukraine Regarding Improvement of Legal Regulation of Notarial and Registration Acts Upon Acquisition of Rights to Land Plots» [23] according to which the market valuation of land becomes the basis for taxation. For the full implementation of the provisions of this Law, operational accounting of all land transactions in the State Register of Property Rights is necessary.

From January 1, 2024, there have been significant changes in the functioning of the land market in Ukraine.

These changes primarily concern the improvement of the functioning of institutions that serve the functioning of the land market. In particular, the automation of the exchange of information between registers and the conduct of auctions through the Prozorro system was ensured, the quality of statistics and analytical publications improved, and the number of land sale agreements increased in contrast to market activity in 2022. It can be noted that during 2023, the market infrastructure improved and the biggest war-related shocks were removed. Land prices are gradually increasing, even in the frontline regions.

The biggest changes, however, occurred in the legislative provision of the functioning of the land market, associated with the second stage of the land reform:

- legal entities enter the land market, and the volume of one transaction is not limited to the size of a land plot of 100 hectares, but can reach 10,000 hectares;
- foreigners became possible investors in the purchase of land plots, and there are no legally recognized procedures for checking the dual or triple citizenship of

potential investors. This creates a risk of land acquisition in Ukraine by citizens of the aggressor country;

- banks are allowed to seize land plots secured by loans and sell them within two years after seizure.

The specified changes will lead to the revitalization of the land market and carry both positive changes and threats.

Among the positive changes associated with the second stage of the reform:

- opportunities for farms to acquire new plots of land, attract investments, and credit resources to finance the development of their own farms have expanded;

- the expansion of the area of land for large agricultural enterprises and holdings will have a positive effect on the volume of commodity production and will lead to an improvement in the financial efficiency of operations. Also, their opportunities for diversification of activities will increase, which will determine the stability of financial results;

- the expansion of the land market creates grounds for scaling up agricultural enterprises, creating new jobs, increasing competition in the agricultural sector;

- active actions of economic agents on the land market increase the liquidity of land as an asset;

- increasing the area of land at the disposal of economic agents, especially legal entities, will positively affect their capitalization and financial stability.

In general, the development of the land market will turn economic agents working in the agricultural sector into the most active, liquid and efficient subjects operating in the real sector of the economy.

The main risks that arise in the second stage of land reform:

- increased competition on the land market and rising prices for it lead most of the small agricultural enterprises and farmers, whose financial capabilities are limited;

- even for large players in the land market, the increase in competition will lead to an increase in marketing costs and will make it difficult for agricultural products to enter new markets;

- the transformation of land into a highly liquid asset can create the basis for the actual withdrawal of land plots from economic use;

- existing administrative restrictions can complicate the process of conducting agricultural activities, which will reduce its financial efficiency. Therefore,

agricultural holdings will not be interested in incurring additional costs to preserve the quality of land due to low efficiency of agricultural production;

– the increase in the scale of agricultural enterprises will lead to the optimization of production processes in agricultural production and will create numerous challenges and threats in the social sphere. The level of employment will decrease, migration from rural settlements to cities will increase, and the development of social infrastructure in villages will not take place. For Ukraine, a significant part of whose population is rural, such social risks can be critical.

In general, all legislative and institutional changes in the land market of Ukraine aimed at increasing the circulation of land and increasing the scale of agricultural enterprises contradict the Common Agrarian Policy of the European Union. CAP is primarily aimed at supporting small producers of agricultural products, ensuring a decent standard of living for rural citizens, and developing organic production of agricultural products. In the EU countries, the achievement of these goals is ensured with the help of additional preferential financing of agricultural enterprises. For Ukraine, which is currently in a state of war, the use of preferential state financing is practically impossible. Mechanisms of credit financing are still not sufficiently developed. In addition, threats of war increase the existing risks of implementing the second stage of land reform. So, perhaps it would be appropriate to introduce a moratorium (or a partial moratorium) on the second stage of land reform until it is possible to eliminate the main military threats.

The above-mentioned problems of land taxation require an immediate solution, which is possible by improving the mechanism for payment of land tax, organizing effective benefits for its payment, which will allow additional tax revenues to local budgets to solve fiscal and regulatory issues.

So:

– land resources have a unique, multifaceted essence, manifesting itself in natural-scientific, socio-political and economic aspects. In the economic aspect, land resources are the subject and means of work, simultaneously participating in the production processes in certain branches of the economy and creating conditions for the implementation of activities in other ones. Taxation of land resources, taking into account their multifunctionality and the difficulties of assessing the real value, is a difficult task;

– in Ukraine, mandatory land fees have two forms: as land tax as part of

property tax and as rent for land. The object of taxation is a land plot, the basis of taxation is its regulatory or market value, the payer is the plot owner or land user. Income from making mandatory land fees go to local budgets. Mandatory land fees in Ukraine are regulated not only by the Tax Code, but also by the Land Code and the Law of Ukraine «About Land Protection»;

– mandatory land fees in Ukraine have important fiscal significance, especially in terms of generating revenues from the general fund of local budgets. However, the share of the land fee as part of the revenues of the general fund of local budgets has been constantly decreasing – from 2016 to 2022, such a decrease was from 14,5 % to 7,44 % with a nominal increase in revenues;

– a more detailed analysis of the dynamics of revenues from the payment of mandatory land fees of local budgets of Ukraine revealed that their nominal growth is determined by inflation processes rather than a real increase. However, there is still a linear trend in the dynamics of the volume of receipts with insignificant growth rates. The identified patterns of dynamics may also indicate the imperfection of the mechanism of taxation of land resources;

– the main problems in the functioning of the land fee in Ukraine in the modern period of time are: unsettled assessment of land as an object of taxation, a significant discrepancy between the normative assessment and the actual market value of land; the actual absence of a land market, which determines the absence of a market assessment of its value; inefficient tax administration of mandatory land fees; the loss of a large amount of land as a result of Russian aggression and its withdrawal from active use, which led to a significant decrease in the amount of income;

– in the foreign practice of taxation of land resources, three main models of this tax are common: as an independent land tax; land tax as part of several taxes; land tax as part of the property tax. The last model is also implemented in Ukraine. However, since the land relations in Ukraine are unsettled, there is no assessment of the real market value of the land, and the payment for the land is not effective. In addition to the settlement of land relations, the completion of the work on the formation of the Land Cadaster, it is also appropriate to make mandatory land fees much more targeted. In particular, it makes sense to direct a part of the income from the payment of the land fee to land restoration and maintenance of its quality.

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#### **6.4. DEVELOPMENT TRENDS OF NON-BANKING FINANCIAL COMPANIES ON THE FINANCIAL SERVICES MARKET OF UKRAINE**

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**Summary.** Analyzes the development of non-banking financial companies in the financial services market of Ukraine. It was determined that the financial services market is one of the most important components of the modern economic system. It has been proven that the key to the success of the effective and efficient functioning of the market of non-banking financial services is the constant monitoring of its

elements, tools, and participants. Non-banking financial companies are an important component of the financial system and financial services market. Non-banking financial companies are an important component of the financial system and financial services market. They differ from traditional banks in that they do not have the status of banks and are usually not licensed to accept deposits or make loans. The article analyzes the dynamics of the number of financial companies on the financial services market of Ukraine and the volume of their assets. Visualization of the structure of assets of financial institutions on the market of financial services of Ukraine, regulated and supervised by the NBU, was carried out. The non-bank financial market, which includes insurance, investment funds, financial technology (FinTech) and other financial institutions, is constantly evolving under the influence of various factors such as technological innovations, regulatory changes, demographic and socioeconomic trends. There is a certain combination of factors that influence the development directions and strategies of the non-banking financial market, creating both challenges and opportunities for participants in this sector. The key components of the development of the Ukrainian financial services market have been identified. It has been proven that the sector of non-banking financial companies in the financial services market of Ukraine is developing dynamically. Non-bank financial institutions are increasingly cooperating internationally, which opens up new opportunities for development and innovation. With the emergence of new technology players and the opening of markets for start-ups, competition in the non-banking sector may increase significantly, prompting institutions to find new ways to attract customers and improve service quality.

**Keywords:** finance, financial market, financial services, non-bank financial companies, pawnshops, insurers, financial companies.

The market for financial services is an essential part of the modern economic system, given an important place in the organizational and regulatory mechanisms in the economic context of people's lives, resulting in the country's socio-economic prosperity. The effectiveness and efficiency of the non-bank financial market is constantly monitored by elements, instruments and participants, as the market evolves according to the law of probability and with various changes. In addition, it is important to generate an accurate and noise-free analysis dataset. Non-bank financial institutions are an integral part of the financial system and financial services market.

They differ from traditional banks in that banks are paperless and generally do not accept deposits or loans. Therefore, the question of analyzing the current state of development of non-bank financial institutions in the Ukrainian financial services market is of paramount importance.

A significant number of domestic and foreign scientists have devoted their scientific work to study the essence and characteristics of the financial services market and the development of non-banking financial companies in the financial services market. Among them: Basilevich V.D., Borodenko T.M., Buryachenko A.E., Gaponiuk M.A., Drebot N.P., Mikolishin M.M. Osetsky V.L. Tankchak I.A. etc. Given the remarkable success of scholars in analyzing the nature of non-bank financial companies and their development in the financial services market, their individual aspects have not been much researched and significant reforms are needed. The current situation in the non-banking financial sector must be monitored as required by the new law.

The purpose of this study is to analyze the current state of development of non-bank financial institutions in the Ukrainian financial services market. Financial markets are an important part of any economy and include a wide variety of products related to finance, investments, savings, loans, insurance and other financial transactions. It is common knowledge that the financial services market offers a wide variety of products such as bank deposits, shares, mortgages, pension funds, bonds, insurance policies, etc., mutual funds, and others. This allows users to choose the right product based on their needs and risk. They are often heavily regulated through legislation and various regulatory agencies.

The purpose of such regulation is to ensure the stability of the financial system, protect consumers and promote confidence in the market. It is also worth emphasizing that the financial services market is very global, with interdependencies between different countries and markets. It creates opportunities and threats for the development of international financial business.

Non-financial corporations play an important role in increasing access to financial services, especially among those who do not have access to traditional banking methods. They offer a wide range of financial services, including loans for small and medium enterprises, microcredit and financial planning [15]. The attractiveness and competitiveness of financial services is determined by the quality of their offer and the user's trust in the financial intermediary. Their economic goal is

to provide the most favorable conditions for the successful functioning of the fundamentals of the financial market [7, c. 427]. However, due to the rapid development of the financial market and the activation of key players in this sector, structural changes are taking place in the distribution and importance of financial intermediaries, roles in the financial services market. Recently, non-bank financial and credit institutions are actively developing and can compete with banks [8].

According to many economists, the Ukrainian financial sector is in crisis, and the level of financial services penetration among the Ukrainian population is one of the lowest in Europe. Accordingly, changes in the financial services market are not only due to the fulfillment of these requirements by the World Bank and the International Monetary Fund. A market with high demand for financial services must be run by financial service providers of «decent» quality.

It should be noted that until July 1, 2020, non-bank financial institutions were regulated by the National Commission for Securities and the Stock Market and the National Bank of Ukraine (for non-bank financial institutions that had licenses to transfer funds in the national currency without opening accounts and to carry out currency operations). On July 1, 2020, the Verkhovna Rada of Ukraine adopted a law that provides for the so-called «split», that is, the transfer of regulation of part of the non-banking sector from the National Commission for the Regulation of Financial Services Markets to the National Bank.

The National Bank of Ukraine now acts as a regulator of insurance, leasing, finance companies, credit unions, pawnshops and credit bureaus. In turn, the National Securities and Stock Market Commission will regulate the activities of non-state pension funds and construction financing funds.

Financial sector reforms in recent years have contributed to greater financial stability and strengthened the financial stability, trust and transparency of banks. One should agree with the opinion that the «split» allows the National Bank of Ukraine to more fully and effectively ensure financial stability thanks to the regulation of not only banks, but also the non-banking sector. In addition, the implementation of EU directives and other documents should contribute to the further European integration of Ukraine and bring the national legal framework into compliance with international standards.

The purpose of state regulation of financial services markets in Ukraine is:

- implementation of a unified and effective state policy in the field of financial

services;

- protection of the interests of consumers of financial services;
- creation of favorable conditions for the development and functioning of financial services markets;
- creating the conditions for the effective mobilization and deployment of financial resources of participants in financial services markets, taking into account the interest of society;
- ensuring equal opportunities for access to financial services in the market and protecting the rights of their participants;
- compliance of participants in the financial services market with the requirements of the law;
- preventing monopolization and creating conditions for the development of fair competition in financial services markets;
- regulate the openness and transparency of the financial services market;
- Enhance the integration of European and global financial services markets.

The principle of regulation and supervision of financial institutions, like the supervision of banks, is carried out on the basis of risk. The new model envisages the reform of regulatory legal acts regarding licensing, assessment of solvency and liquidity, corporate governance and risk management systems, application of risk-oriented supervision, monitoring of market actions, as well as regulatory procedures.

The regulatory framework for each market segment will vary depending on whether the financial institution raises funds from clients. For example, banks, insurance companies and credit unions operate on the basis of receivables from customers, while other financial institutions operate on the basis of their own capital.

One of the most important responsibilities of managers is to balance the oversight of these entities with the risks associated with their individual activities. At the same time, companies operating on their capital should not be aware of much of the manager's presence in their operations. The regulation and supervision of non-bank finance is carried out in accordance with international standards.

Current market problems require updating business rules and creating a level playing field and effective regulation.

The reform of the non-banking sector contributes to the development of the Ukrainian economy and the creation of prospects for the further development and improvement of the market. Currently, the National Bank of Ukraine pays great

attention to the protection of consumer rights, as reliable information about financial services and consumer confidence affects demand and promotes market development. This includes addressing complaints from citizens to the National Bank of Ukraine and identifying and effectively responding to regular irregularities and serious failures in the operations of non-bank financial institutions. In addition, full advertising and full disclosure of information on operations is provided for.

This is important because many unscrupulous companies mislead users of their services. The Non-Banking Financial Services Regulatory and Regulatory Commission exercises regulatory powers over non-banking financial institutions. Also, in the organizational structure of the National Bank of Ukraine, various departments are organized to control non-bank financial institutions. The National Bank of Ukraine creates conditions for the development of financial instruments and business models that meet the requirements of best international practices.

According to the Law of Ukraine, a risk-oriented approach consists in identifying, evaluating (re-evaluating) and understanding the risks of legalization (laundering) of proceeds obtained through crime, financial support of terrorism or the proliferation of weapons of mass destruction, as well as taking appropriate measures to manage these risks in such a way that to ensure that they are minimal.

The National Bank of Ukraine introduced special reporting on the analysis of the activities of non-banking financial institutions. It is mandatory to report on your work to the National Bank. Proper and timely reporting must be done immediately. In order to have the right to make changes and submit applications after the deadline, institutions must comply with the provisions of Section 1, Clause 10 of the Instructions on Reporting by Non-Banking Financial Institutions to the National Bank of Ukraine.

It is important to note that the goals of non-bank credit institutions in the market differ. Credit unions are non-profit financial institutions that provide exclusive credit services to their members and at the same time attract funds to deposit accounts [13]. The main objective of the activity of these institutions is the financial and social security of their members. Members of credit unions themselves play their role in making decisions about the credit policy of their financial institution, more so than banks, because the interests of society - money lenders - are taken into account.

Unlike banks, credit unions only lend to their members. In order to maintain



the liquidity and reliability of affiliated financial institutions, these institutions can lend to other cooperatives if they have free funds. Thus, the credit union's audience of borrowers is very broad and can continue to grow in accordance with changes in domestic legislation. Analyzing the current trends in the world and especially in Ukraine, we see two different situations.

In the world, credit unions are growing in number, members and assets, but negative changes are taking place in Ukraine. Specifically, according to the World Council of Credit Unions, in 2021 there were 87,900 credit unions in the world with approximately 393.9 million members, spanning 118 member countries worldwide. The average percentage density in the world is 12.69%, and in Ukraine it is only 1.21%. In Europe and the United States, credit unions are very popular in terms of penetration, such as 61% in the US, 5.5% in Poland, and 9.5% in Lithuania in 2021 [1].

The Ukrainian credit union market has been active since independence. And according to the National Bank of Ukraine It said it peaked in 2008, just before the global financial crisis. After that, in 2010-2013, the market returned to boom again. But events related to the Russian invasion and the economic slowdown in 2014 negatively affected the activities of credit unions. In recent years, the market has been stagnant: the number of credit unions and their members Including the size of assets is decreasing. Overall, at the end of the first half of 2023, credit institutions in Ukraine accounted for only 18% of their peak value in 2008, with their assets slightly less than UAH 1.4 billion and more than UAH 6 billion In 2008.

A sharp decrease in borrowers' creditworthiness led to significant loan overdues and a deterioration in the quality of the loan portfolio, which made it difficult to operate credit operations. In this regard, we believe that the share of credit unions in the financial market of Ukraine will decrease over time [9].

An important step is the adoption of the Law of Ukraine «On Credit Unions», which aims to improve the efficiency, financial stability and reliability of these institutions. According to the law, which entered into force on January 1, 2024, «a credit union is a non-profit organization created by individuals, professional unions, cooperative associations in order to meet the needs of its members». Credit union members provide loans and financial services at the expense of common financial assistance» [12]. The law in question expands the number of members and the range of financial services of credit unions, improves the requirements of the administrative

system and imposes new requirements on capital structure.

It is recommended that credit unions prepare for a new risk-oriented approach to regulation, as well as introduce a risk detection system to quickly respond to potential negative situations. But people aren't interested in credit union services because membership is required. Most of the people are not ready to accept such obligations. Another challenge is the availability of alternative, more convenient and transparent financial services in the market. Banks and finance companies offer loans that don't require you to leave your home. The third reason, in our opinion, is the lack of a deposit guarantee system in credit unions. This situation forces many people to choose banks where their deposits are guaranteed by the government.

Unlike credit unions, in pawnshops and financial companies, the main purpose of lending is to make a profit. Thanks to the set high interest rates, these financial institutions can cover their costs and guarantee high profitability of their business, for example, the average interest rate on collateral loans and loans can reach 1-2% per day.

Pawn shops occupy a unique segment of the credit market where citizens are offered short-term cash loans against various assets such as precious metal products, electrical appliances, cars and securities. Mortgage loans are especially attractive to low-income residents or those who need emergency funds to cover consumer expenses. The credit risk of pawnshops is much higher than that of banks, which makes pawnshop customers less attractive to banks. Due to the use of real estate as collateral, pawnshops do not impose requirements regarding the creditworthiness of borrowers, This is to cover the risks of the pawn shop.

Pawn shops remain one of the most conservative and stable financial institutions in Ukraine. A characteristic difference between loans issued by pawnshops and other types of loans is that the pledge given on the property of the pawnshop is mandatory. The subject of collateral can be property that an individual is willing to give as collateral for a loan. Jewelry, household appliances, etc. are often bet. Collateral is often not a car or real estate. The presence of collateral eliminates the risk of non-return of the loan, since in this case the pawnshop gets an opportunity to realize the object of security without spending money and time on forced collection.

In the case of a collateral loan, the value of the collateral exceeds the amount of the client's loan. Pawn shops usually value the pledged property below its actual

(market) value. Thus, at the end of 2019, the value of property and received loans amounted to 116.4% of the value of the purchased property.

Pawn shops ensure their profitability by charging relatively high interest rates on loans (the average annual interest rate in 2019 is 215.2%), sometimes by high fines for breaching the terms of the loan agreement and liquidation of collateral.

Existing administrative barriers and shortcomings of current legislation complicate and significantly increase the time it takes for non-banking institutions to enter the financial services market. In order to provide financial services to non-banking organizations, two procedures must be completed: entering information about the pawn shop into the register of financial organizations and obtaining a license to provide financial services. In addition, legislative norms allow pawnshops to exist only in the form of full-fledged companies or state and communal enterprises.

Some pawnshops use the «franchising» mechanism to expand their activities. Pawn shops offer a partnership in the form of a «franchise», that is, they offer anyone who wants to join this business without going through regulatory procedures or without sufficient capital to open their own pawn shop. Such a «franchise» is granted to partners in the form of the creation of a separate branch of the pawnshop.

Current legislation provides for the right of brokers, in the absence of funds received from the sale of mortgaged real estate to repay the client's obligations, to place a lien on other property of the debtor. By establishing his own real estate, the client not only risks losing it in case of late repayment of the loan, but also bears the risk of paying high interest and fines. In such conditions, the difference between a secured loan (while the amount of the loan depends on the value of the collateral) and a loan without financial company security is lost.

At the same time, in practice, some pawnshops in their internal credit rules/contracts with customers independently determine the limit of the amount of collateral for loan obligations. This credit is not subject to the rules and guarantees set out in the Consumer Credit Act. Limiting the size of the consumer's liability to the value of the insurance is a fairly common phenomenon in global practice. In addition, there are cases when several different financial institutions, including pawnshops, operate under the same trademark. This may mislead the consumer as to which institution is providing the financial service.

In some cases, a pawn shop may have two separate websites. One is related to customer interactions, which can be easily found in an online search engine, and the

other focuses on compliance with information requirements that are difficult to find, but which contain rules/regulations that must be provided to the consumer, manages the provision of pawnshop services. All these actions lead to the violation of consumer rights and, thus, to their inability to make informed decisions.

As a rule, the real annual rate for pawn loans is lower than for short-term non-bank loans from financial companies. However, they are also very high – the average annual rate at the end of 2019 was 215.2%. The high costs of debtors for servicing pawn loans are also directly related to the above-mentioned problems regarding the legal limitation of the client's liability within the value of the collateral.

Current regulations require pawn shops to provide financial services at the location and/or location of their branches. At the same time, in practice, pawn shops offer online loans by visiting the customer and then delivering the collateral to the pawn shop. This problem is closely related to the problem of insufficient information about the credit conditions of the prospective borrowers.

The current regulation provides that the pawnbroker must provide financial and related services, as well as store the pledged property in the premises for which special requirements have been established.

Legislation prohibits pawnshops from attracting funds from individuals (except their members) in any form. The ability to attract funds from legal entities that are not financial institutions is unclearly regulated. Uncertainty regarding the permitted sources of raising funds by pawnshops to carry out their activities is also reinforced by the requirement of the Law on Financial Services, namely - the right to grant loans at the expense of the funds raised on the basis of the relevant license is only a credit institution, which is not a pawnshop. This issue needs a clear settlement to avoid doubts when attracting financing by pawnshops.

There are cases of pawning of stolen property in pawnshops, since usually the pawnshop does not require proof of ownership of the property (providing legal documents). This creates significant risks for the pawn shop, because the stolen property, in the event of a search by law enforcement agencies, must be returned to the owner. As a result, the pawnbroker risks losing the money issued on credit, as well as the collateral for this credit. Such cases have a negative impact on the development of the pawnshop services market. In addition, improper verification by pawnshops of the origin of the pledged property can potentially encourage the criminal to steal the property and then hand it over to the pawnshop.

The new model of regulation of the lending market by pawnshops should ensure the operation of pawnshops on the basis of transparency, honest market behavior and protection of consumer rights, taking into account the peculiarities of the business model of pawnshops.

To achieve this goal, the National Bank of Ukraine will build a new system of regulation and supervision, which will provide for:

- easy access to the market - the requirement for a specially defined organizational and legal form of a pawn shop will be abolished. Necessary minimum conditions for entry to the market will be established, which will ensure the presence of honest players, while these conditions should not be unreasonable obstacles to start-up, development of healthy competition or innovation;

- business plan for the start of activity - the business plan should serve as the basis of activity and the main document for obtaining a license, which will reflect the vision of the pawnshop regarding its development in the future market and plans for attracting customers and making a profit;

- new opportunities - expanding access to financing from third parties and giving pawnshops the opportunity to carry out other types of activities, in addition to providing financial services, will create new opportunities for business development;

- transparency and impeccable business reputation - only those pawnshops whose significant ownership and ultimate beneficial owners are disclosed will work on the market. Only owners and managers with an impeccable business reputation will be admitted to the market;

- protection of consumer rights - the National Bank of Ukraine will carry out enhanced supervision of the observance of consumer rights. Pawn shops will adhere to the rules of good faith behavior towards consumers, but at the same time, the balance of rights and obligations of financial institutions and consumers of financial services will be preserved in the market. The NBU plans to initiate limiting the consumer's liability to the value of the collateral;

- solvency - the capital requirement of the pawnshop will ensure the entry of financially capable players into the market, the stability of pawnshops and will make it impossible for insolvent pawnshops to operate on the market;

- quality reporting - pawnshops will compile and submit reports according to updated standards, which will make it possible to objectively assess the financial activities of pawnshops.

There are a number of problems in the context of providing information to customers by pawn shops. In particular, some pawnshops do not provide information about the true amount of interest on the loan; credit agreements and pledge agreements have terms that are difficult for the client to understand and contain references to internal acts of the pawnshop (rules or provisions regulating the provision of services by the pawnshop, etc.). These acts may be unclear in terms of content and structure, may not be posted on the main page of the site, or may not be posted at all. As a result, the borrower may not fully understand the terms of the contracts he concludes with the pawnshop.

Recently, entrepreneurs have also been actively using pawnshop tools to quickly obtain funds for the purchase of raw materials or goods. Pawn shops provide financial assistance quickly and without unnecessary formalities, and the borrower's credit history is not taken into account when making a decision to issue a loan. However, loans from pawnshops are accompanied by significant overpayments, possible fines for late payment, and the possibility of selling the collateral without warning. The main indicators of the activity of pawnshops have positive dynamics. The negative point is that the growth in demand for the services of pawnbrokers is associated with the deterioration of the population's standard of living. Although the increase in the assets of pawnshops currently does not have a significant impact on economic growth, it can be concluded that the macroeconomic situation in the country will contribute to the development of pawnshops.

Recent years have been marked by the intensive development of the credit sector in the non-banking financial sphere, which is the responsibility of such financial companies as factoring, leasing and other credit institutions. These types of financial institutions are characterized by the fastest growth of their assets in recent years. Most of the financial services provided by financial companies are related to credit, and now in the non-banking financial sector, those financial institutions with the highest credit potential are leading the way. They can significantly accelerate the development of the lending sector, competing with banks. The leaders among non-bank financial institutions in terms of growth rates are financial companies that are expanding their assets and services the fastest. It can be assumed that in the near future they will take a significant share of the non-bank consumer lending market.

The insurance market, which continues to operate during martial law, also needs support. For this, a number of measures were taken to deregulate the market. In

particular, for the period of martial law, the deadline for bringing the activity of insurers into compliance with the requirements of the new Licensing Regulations has been extended. In addition, it is allowed to carry out a number of cross-border transfers of currency values from Ukraine to non-residents, in particular:

- for operations under reinsurance contracts with foreign nuclear pools;
- according to settlement operations of the Motor Transport Insurance Bureau of Ukraine under reinsurance contracts and «Green Card»;
- for operations under civil aviation risk reinsurance contracts;
- for operations to make insurance payments under insurance contracts of persons going abroad to the accounts of assisting non-resident companies;
- for operations under reinsurance contracts, which provide for compensation for damages caused to the property of telecommunications networks and telecommunications infrastructure.

The National Bank, together with insurers, is working to reduce the risk of instant liquidity. This will be done at the expense of refinancing received from banks or, possibly, from the National Bank under bonds of the domestic state loan of Ukraine or time deposits. At the same time, regulation is not «softened» to ensure market stability. Insurers who did not comply with mandatory financial norms in the pre-war period now face a growing risk of default and exit from the market. The regulator is also working on the possibilities of expanding the list of permitted cross-border reinsurance operations. This is one of the effective tools for balancing the risks accepted by the insurer.

The National Bank of Ukraine does not apply measures of influence for individual violations during martial law. In particular, for a significant change in the value of Bonds of external state loans of Ukraine, a decrease in reinsurance volumes abroad, etc. Development of the basis for the development of certain types of insurance continues: mandatory insurance of civil liability of car owners, agrarian insurance, individual and group personal insurance, including through tax changes.

In addition, the issue of creating sources of coverage for the consequences of war risks is being worked out. These are specialized pools, separate reinsurance conditions, etc. We hope that the market will soon offer reliable support and protection to Ukrainians who suffered during the war.

In post-war times, it is planned to involve insurers in the priority areas of economic development. In particular, construction, agriculture, freight transportation,

mortgage financing and lending, leasing operations, information technology and investments.

The development of personal insurance is also expected. Yes, prerequisites will be created for widespread introduction of health insurance. This will make it possible to finance the secondary and tertiary level of medical care with the transition to the purchase of services by the state from the relevant institutions.

Non-state pension provision is an important link in the country's financial system and is a key element of the non-bank financial services market. Recently, non-state pension funds deserve special attention as participants in the financial services market, namely the investment services market as a component of the financial services market, acting as investment investors who accumulate funds of legal entities and individuals in the form of pension contributions and commit to them increase by investing in various financial instruments operating in the financial services market.

Non-state pension funds are an important segment of the modern financial system, performing financial, investment and social functions. The financial function of non-state pension funds is manifested mainly in the fact that they make it possible to accumulate a significant amount of savings in the form of voluntary pension contributions and transform them into investments. The investment function consists in the fact that a powerful long-term investment resource can be formed in the system of non-state pension funds, the use of which, as the experience of developed countries shows, contributes to economic growth. The social function is manifested in the fact that non-state pension funds provide an opportunity for their participants to form an individual pension size, which is determined by the desire and capabilities of the individual.

Non-state pension funds are institutional investors, combining the functions of an investor and an investment organizer. Effective investment increases the attractiveness of savings for old age in non-state pension funds, accordingly, relieves the burden on the state budget, freeing these funds for sectors of the economy that need them. All this creates an urgent need to build a high-quality mechanism of legal regulation of relations in the sphere of non-state pension provision. The economic and legal aspects of the activity of non-state pension funds and their investment activities deserve special attention, since investing itself is the basis of the entire system of non-state pension provision.



The modern system of non-state pension provision is the third level of the pension system of Ukraine and is based on private savings that can be used for the pension needs of citizens through specialized institutions and mechanisms (non-state pension funds, pension insurance, pension bank accounts, etc.) and is additionally stimulated by the state with the help of tax benefits.

The basis for the development of the non-state pension system is the imperfection of the mandatory state pension system and pension insurance. This factor led to the need for conceptual reform of the pension system and the formation of a system of non-state pension provision, which constitutes the third level of the pension system.

According to the Law, the system of non-state pension provision is an integral part of the system of accumulative pension provision, which is based on the principles of voluntary participation of individuals and legal entities, except for the cases provided for by law, in the formation of pension savings with the aim of obtaining by participants of non-state pension provision additional to the mandatory state pension insurance of pension payments.

A properly functioning system of non-state pension provision creates opportunities to increase and preserve the fund's depositors' funds in order to receive income after reaching retirement age.

The introduction of non-state pension provision is one of the main tasks and important steps in reforming the pension provision system of Ukraine.

The need to introduce non-state pension provision is determined by:

- decrease in the activity of the working population;
- rapid demographic aging of the population;
- labor migration of the able-bodied population.

Non-state pension provision makes it possible to create incentives for employers and working citizens for additional pension savings, to ensure a higher standard of living after retirement, to ensure the formation of new sources of investment resources for investing in the real sector of the economy, involve banks in the creation of pension funds and non-bank financial institutions.

The main reasons for the insufficient development of non-state pension provision in Ukraine include:

- low level of profitability of pension assets;
- legislative unsettlement of certain issues of non-state pension market activity;

– low level of public trust in non-state pension provision, the banking system and other financial institutions;

- low material level of the possibility of participation of citizens in the system of non-state pension provision;

– a limited selection of financial instruments suitable for investing pension funds in them;

- Administrative expenses;

- it is difficult for a participant of non-state pension provision to receive the accumulated amount before reaching the retirement age established by the contract;

- a participant of non-state pension provision can open a savings account only in hryvnias, which makes the accumulated amount vulnerable to inflation.

Non-state pension funds not only aim to accumulate pension contributions for the benefit of Pension Fund participants, but also act as institutional investors who invest funds in the economy of Ukraine. Considerable attention is paid to the choice of investment instruments used by non-state pension funds. The choice of investment instruments is an important area of activity of such funds, because with their help the funds will be able to protect depositors' funds from inflationary processes and at the same time receive appropriate dividends.

Therefore, the investment activities carried out by non-state pension funds (non-state pension provision activities) are characterized by certain features, namely:

– firstly, the directions of investment of pension assets and limitations of investment activities with pension assets are clearly regulated by law;

- secondly, the subjects of non-state pension provision are non-state pension funds, which are investors;

- thirdly, risky nature - the probability of not receiving a pension payment;

- fourthly, non-state pension funds are a limited subject of non-state pension provision. When investing pension funds, he transfers all the funds to the asset management company, without having the opportunity to invest on his own;

- fifth, the special position of non-state pension funds. During the implementation of non-state pension provision, two functions are implemented:

- social function (pension provision);

- investments (investment of funds and savings).

In our opinion, non-state pension provision can be considered a separate form of investment activity, which is carried out by professional investors and involves the

transfer of funds of pension savings under a trust management agreement to the management company with the aim of both increasing and preserving them and occupies a place in the market of investment services in Ukraine.

Studying the current state of development of non-banking financial companies in the financial services market of Ukraine, it is worth agreeing with the opinion of T.M. Borodenko, A.E. Buryachenko, M.A. Gaponyuk regarding the fact that: «the development of financial market entities before the beginning of the war was characterized by the activation of non-bank financial and credit institutions, which demonstrated the growth of their financial assets, the increase in the volume of financial transactions and the expansion of the client base. The variety of types of non-bank financial and credit institutions in the financial market and the variety of their financial services arose under the influence of market demand, the participants of which require a variety of services that are not provided by banking institutions or for which they do not have the appropriate authority» [3].

The point of view of N.P. Drebot, Yu.A. Tanchak and M.M. Mykolysyn is interesting that: «the development of the financial market, entrepreneurship and competitive environment in Ukraine requires the restructuring of all components of the investment environment. The activities of non-banking financial institutions, which meet the needs of financial market participants by providing them with the widest possible range of highly specialized financial services, are becoming important. financial market. Increasing the efficiency of the non-bank financial intermediation system is becoming the most important factor capable of ensuring the development of the domestic financial market» [5, p. 110].

Let's consider in more detail the essence of the concept of the market of financial services. In the Law of Ukraine «On Financial Services and Financial Companies»: «the financial services market is a set of financial services market participants and relationships between them related to the provision and receipt of financial and related services» [14].

It is worth emphasizing the changes that have taken place since July 1, 2020. According to the official information of the National Bank of Ukraine: «The National Bank took over the functions of the market regulator of non-banking financial services: insurance, leasing, factoring companies, credit unions, pawnshops and other financial companies. The National Bank regulates the activities of non-bank financial services market participants: insurers, credit unions, financial companies, pawnshops

and non-bank payment service providers. Regulation of the market of non-banking financial services is carried out with the aim of compliance by the participants of the market of financial services with the requirements of legislation, ensuring equal access to financial services, protecting the rights and interests of clients» [10].

Analyzing the state of the non-banking financial sector, it is appropriate to note that according to the analytical report of the National Bank of Ukraine on the activities of non-banking financial institutions for 2023, insurance and financial companies increased their activity in 2023. (compared to 2022). Assets of insurers for 2023 increased by 5.7%, financial companies - by 2.7%. At the same time, the business of credit unions and pawnshops continues to shrink: the assets of these segments decreased by 2% and 6.2% in 2023, respectively. In general, the number of participants in the non-banking sector continues to decrease. In 2023, 27 insurers, 29 credit unions, 201 financial companies and 4 pawnshops left the market (voluntarily or forcibly). During 2022-2023, the non-banking sector lost 677 participants.

During 2023, the volume of assets of risk insurers increased by 1% to UAH 50.2 billion, the assets of life insurance companies increased by 17% to UAH 24.1 billion. The volume of premiums by types of risk for 2023 increased by 16.3% to UAH 11.3 billion, life insurance premiums by 22% to UAH 1.6 billion.

The dynamics of the insurance market, as before, are determined by the types of automobile insurance - CASCO and OSCPV (compulsory civil liability insurance). During 2023, auto insurance premiums increased by 15%. However, in the IV quarter of 2023, a slight (3%) drop in premiums was recorded due to a decrease in demand for Green Card policies. According to the estimates of the National Bank of Ukraine, the peak of popularity of this product among Ukrainian refugees who left en masse abroad in 2022 has probably already passed. Gross property and fire premiums were also up 40% year over year. Voluntary health insurance continues to recover: the growth of this segment in 2023 was 17.6%. CASKO, Avtotsivilka, voluntary health insurance, life insurance and «Green Card» are leading by the volume of payments by insurance companies in 2023.

The segments of credit unions and pawnshops are the smallest by financial market standards. Their assets are respectively 0.4% and 1.2% of the total assets of the non-banking sector. According to the National Bank of Ukraine, the volume of new loans issued by credit unions decreased by 2% in the IV quarter of 2023 due to a decrease in the volume of all loans, except for business loans. This led to a reduction

in the loan portfolio by 3.5% compared to quarter 3 2023 and by 2% compared to 2022. In the structure of loans issued by credit unions, loans for consumer purposes prevail, their share exceeds 50%. The worst situation is in pawnshops. Assets and loans are shrinking, interest income is falling. This segment was only able to make a profit due to the reduction of administrative expenses. The loan portfolio of pawnshops at the end of 2023 amounted to UAH 3 billion, which is 3.2% less than at the end of 2021. The equity capital of pawnshops for 2022-2023 decreased by almost 20% to UAH 1.3 billion. If we evaluate the structure of the loan portfolio of pawnshops, then the state loan secured by jewelry, goods and household appliances prevails. It is also worth paying attention to the fact that: «from the beginning of 2024, new legislation for providers of non-bank financial services came into force». Features of the new laws are increased attention to the quality of corporate governance and risk management, increased requirements for solvency and market behavior in relation to service consumers.

The new Law of Ukraine «On Insurance» strengthens the requirements for corporate governance and solvency, increases the role of the actuarial function. Insurers will receive only one license instead of a whole series for each type of service. Mandatory registration of insurance intermediaries in a single register, requirements for the level of their competence and avoidance of conflict of interests are foreseen. Insurers will have six months to bring their activities into line with the new requirements. The new version of the Law of Ukraine «On Credit Unions» expands the list of persons who can become their members. The sources of capital replenishment are expanding, new requirements for corporate governance are being established, and the procedure for entering the market is being simplified. Requirements for risk assessment and solvency of credit unions will also be strengthened. The drafts of normative legal acts, developed to implement the approaches established by the legislation, have already been submitted for discussion to market participants. In addition, lessors will receive the status of financial companies in 2024. This will help increase their capitalization and strengthen the requirements for transparency and risk management» [11].

The study of the number of financial companies in the financial services market can be widely used in analysis and decision-making, both for public authorities and for private enterprises and investors. Such studies are conducted for: understanding market competition, assessing the market potential, forming a financial

market regulation policy. The dynamics of the number of financial companies in the financial services market of Ukraine and the volume of their assets are shown in Table 1. Analyzing the statistical data presented in chart 1, it is worth noting that during the research period of 2019 - the 3rd quarter of 2023, the number of participants in the financial market of Ukraine tended to decrease.

Chart 1. Dynamics of the number of financial companies on the market of financial services of Ukraine and the volume of their assets

Index	2019	2020	2021	2022	09.2023	Deviation 3rd quarter 2023 from 2022
Insurers, number	233	210	155	128	111	-17
<i>Assets million hryvnia</i>	63867	64903	64737	70298	73375	9508
Credit unions	337	322	278	162	143	-19
<i>Assets million hryvnia</i>	2502	2317	2330	1449	1418	-1084
Financial companies	986	960	922	760	594	-166
<i>Assets million hryvnia</i>	162197	186572	216406	243997	251279	89082
Pawn shops	324	302	261	183	171	-12
<i>Assets million hryvnia</i>	4265	3854	4289	4101	4597	332

Source: created by the author based on: [11].

This situation is due to the influence of various situations, such as: new legislative requirements, the war in Ukraine, etc. The largest reduction of financial companies occurred only in the 3rd quarter of 2023, compared to 2022, their number decreased by 166 units. Figure 1 shows the structure of assets of financial institutions in the financial services market of Ukraine, regulated and supervised by the National Bank of Ukraine for 9 months of 2023.

Analyzing Figure 1, we note that almost all financial institutions studied during the analyzed period observed an increase in the volume of assets. Only credit unions reduced their assets by UAH 1,084 million during the analyzed period. According to the review of the non-banking financial sector: “assets increased in institutions that attract deposits, while at the same time those that operate only on their own capital, assets decreased again. Of the 143 registered credit unions, only 34 are exclusively joint-stock, during the pandemic and martial law, their number decreased several times per quarter, as the volume of loans provided by credit unions decreased by 10%, and the loan portfolio decreased by 0.3%. First, the volume of business loans

granted to private peasant farms decreased by 38%.

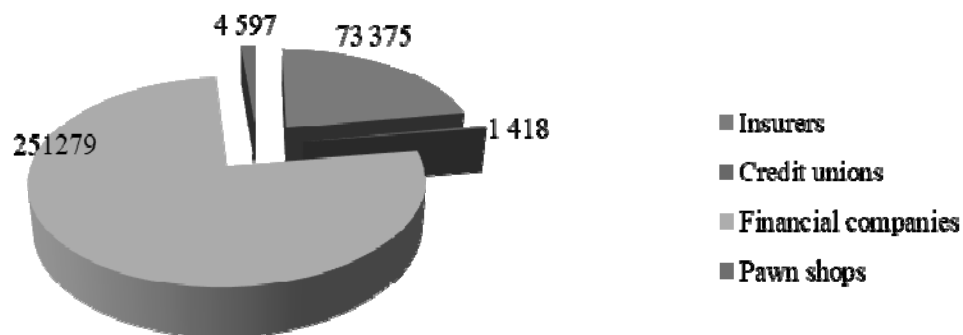


Fig. 1. The structure of the volume of assets of financial institutions on the financial services market of Ukraine for 9 months of 2023, UAH million

*Source: created by the author based on the materials: [11].*

At the same time, consumer credit arrears and the volume of new loans issued remained almost unchanged. The reported average share of the principal amount of loans overdue for more than 90 days decreased by 2%. page up to 28%, or UAH 367 million. At the same time, the amount of unpaid interest on these loans is growing, now they make up half of the principal amount of problem loans [11]. Financial companies are increasing assets the most, whose assets in September 2023 amounted to UAH 251.279 million, which is UAH 89.082 million more than in 2019. Despite the pandemic and the war, the activities of financial companies are profitable.

Considering the above, it is worth agreeing with the statement of V. D. Bazilevich and V. L. Ossetskyi. regarding the fact that: «the state should act as a central subject in the process of modernization of financial and economic institutions, and its role is not only complicated, but also qualitatively changes in the conditions of transformational transformations. Ensuring institutional conditions for stable long-term economic growth at the expense of internal resources is possible due to institutional intensification, strengthening integration interaction and complementarity of all types of institutions will contribute to strengthening trust in economic agents» [2, p. 20].

According to the first deputy head of the National Bank of Ukraine, K. Rozhkova: «the non-banking financial market has good prospects for development. Currently, its share is only 11% in the assets of financial institutions controlled by the National Bank of Ukraine». This share can be several times larger, since the world market of non-banking banks, according to the Financial Stability Board, is growing

rapidly and reaches about 50% of the financial system [6].

The development of the financial sector during 2024 will be determined mainly by legislative and regulatory changes aimed at strengthening supervision and increasing the reliability of market participants. In particular, the National Bank of Ukraine notes the following markers for the non-banking sector: in November 2023, a number of changes to the microcredit legislation were adopted. According to them, the maximum amount of interest rates for microloans cannot exceed 1% per day, and the National Bank of Ukraine received the right to set requirements for assessing the borrower's creditworthiness. З середини 2024 року кількість учасників Кредитного реєстру Національного банку України розшириться. Окрім банків і Фонду гарантування вкладів фізичних осіб, дані до нього будуть вносити фінансові компанії та кредитні спілки. Це сприятиме більш збалансованому кредитуванню.

Insurers started the year 2024 by assessing the quality of assets. By the end of 2023, the audit reports of insurance companies will be supplemented with detailed information on assets and an analysis of their quality. Policyholders must submit such an additional report to the National Bank of Ukraine by June 30, 2024. The transition of insurers, credit unions and financial companies to the new requirements established by the laws «On insurance», «On credit unions» and «On financial services and financial companies» continues. In particular, the National Bank of Ukraine has already approved updated legal acts, which, in the opinion of the National Bank of Ukraine, should ensure the stability and sustainable development of the non-banking financial market.

The non-bank financial market, which includes insurance, investment funds, financial technology (FinTech) and other financial institutions, is constantly evolving under the influence of various factors such as technological innovation, regulatory changes, demographic and socio-economic trends. There is a certain combination of factors that influence the development directions and strategies of the non-banking financial market, creating both challenges and opportunities for participants in this sector. The key components of the development of the financial services market are presented in Figure 2.

Summarizing the information presented in Figure 2, we emphasize that the specified components play an important role in modern operating conditions, namely, digital transformation improves the non-banking financial



sector.

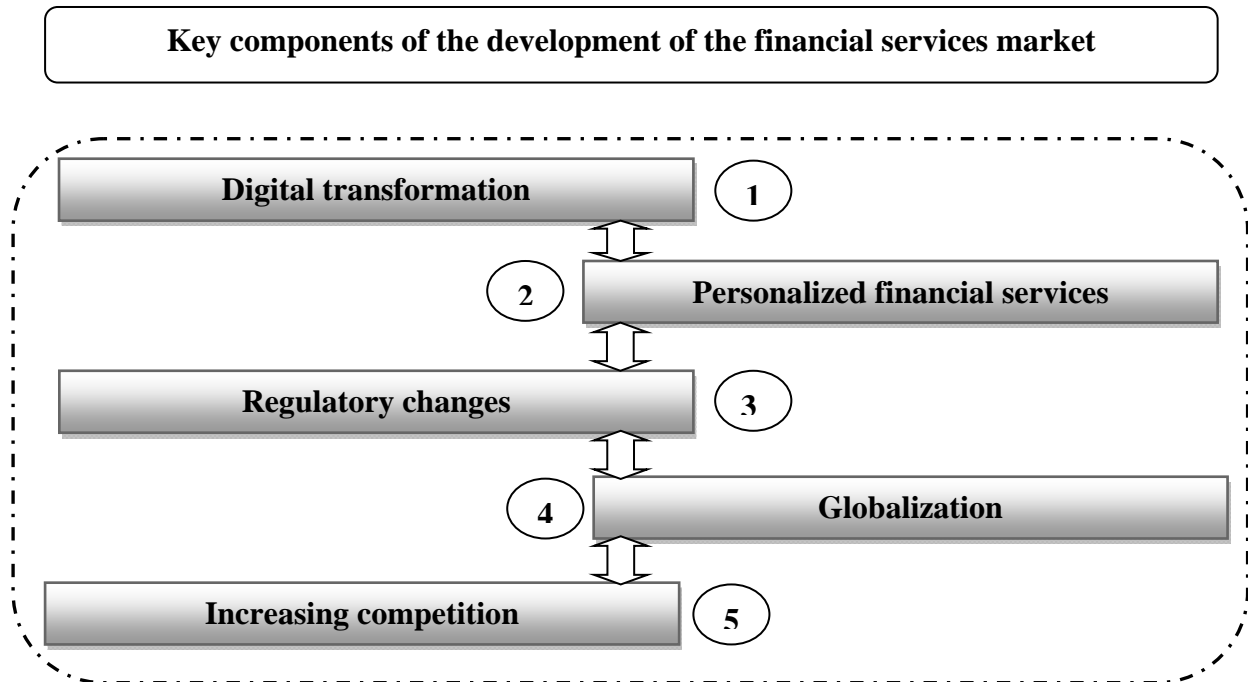


Fig. 2. Key components of the development of the financial services market of Ukraine

*Source: generated by the author.*

Mobile apps, blockchain, artificial intelligence and other innovations are changing the way customers interact with their financial services and making transactions more efficient. Personalized financial services are characterized by the development of analytical technologies that allow non-bank financial institutions to provide more individualized services, taking into account the needs and preferences of each client. Changes in regulation may affect the structure and functioning of the non-banking financial sector. Regulators can steer the sector towards greater transparency, stability and consumer protection. Non-bank financial institutions are increasingly cooperating internationally, which opens up new opportunities for development and innovation. With the emergence of new technology players and the opening of markets for start-ups, competition in the non-banking sector may increase significantly, prompting institutions to find new ways to attract customers and improve service quality.

The sector of non-banking financial companies in the financial services market of Ukraine is developing dynamically even in the crisis period, but there are a certain number of problems that prevent their effective functioning. Among them, the

following should be highlighted: insufficient legislative framework, Ukrainian legislation often does not take into account the rapidly growing sector of non-banking financial institutions. The availability of high-quality, adaptive and stable regulation is the key to creating a favorable environment for the development of this sector. Competition in the field of financial services on the Ukrainian market is very high. Some non-bank financial institutions may be less resilient to financial stress than banks, particularly if they depend on external sources of funding. Addressing these challenges requires a collaborative effort between government, regulators, business and other stakeholders.

Prospective areas of further scientific research are the analysis of credit activities of non-banking financial companies and the review of new credit products on the financial services market of Ukraine. The role of non-bank credit organizations in crediting business entities and the population in modern conditions is gradually increasing. Therefore, it is important for non-bank credit organizations to continue to actively develop credit activities, to develop new credit products that are attractive to consumers, to effectively use means of limiting financial risks to maintain their financial reliability and stability. .

The central subject in the process of modernization of financial and economic institutions should be the state, whose role in the conditions of transformational transformations is not only complicated, but also qualitatively changes. Provision of institutional conditions for sustainable long-term economic growth at the expense of internal resources is possible due to institutional intensification, strengthening of integration interaction and mutual complementation of all types of institutions. The development of these institutes will contribute to the strengthening of trust in business entities.

Non-bank credit organizations intend to continue to actively develop credit activities, develop new credit products that are attractive to consumers, and use effective means of limiting risks in order to ensure their financial stability and reliability. In modern conditions, consumers of credit services demand improvement, quality improvement, flexibility and cost reduction. In particular, ensuring full transparency in the financial sector is an important condition for its effective functioning, ensuring stability on the part of regulators and restoring trust on the part of clients.

An important aspect of the transparency of any financial service is the

availability of information about the real owners. Every user of financial services must understand exactly who he trusts with his money or from whom he takes a loan. To achieve this goal, the National Bank of Ukraine established requirements for the ownership structure of financial services and obliged all market participants to disclose information about their ownership structures for further analysis by the regulator. In 2021, a number of requirements were approved, which are aimed at ensuring transparency and facilitating the understanding of the terms of credit products of non-bank financial institutions.

Transparency in the field of lending involves full familiarization of consumers with the cost of the loan before concluding the contract, calculation of the cost of the loan according to rules identical to those of banks, and the availability of a clear and understandable loan agreement, free from unfair terms. Ads and websites of non-bank financial institutions can now not advertise «free» loans.

Non-bank financial and credit institutions are rapidly gaining popularity due to technological innovations and flexibility in adapting to market changes. They often use high-tech solutions such as blockchain and artificial intelligence to improve their services and provide faster and more efficient customer service. Despite their successes, non-bank financial institutions also face their own unique challenges. Regulation is one of the main areas where standardization and clear rules are needed to ensure the stability and reliability of these institutions. In addition, they must manage risks and implement effective cybersecurity systems to protect customer privacy. Non-bank financial and credit institutions have great potential for further development, especially in conditions of rapid technical progress. It is predicted that they will be active participants in the digital transformation of the financial sector and the introduction of new financial instruments.

Non-bank financial and credit institutions play an important role in shaping the modern financial landscape. Their innovative approaches and flexibility allow them to compete effectively with traditional banks. In 2018-2023, a number of measures were implemented to improve the financial market. Among them, it is worth noting the strengthening of requirements for the financial stability of insurance and credit institutions, the increase of capital investments of pawnshops, the establishment of new requirements for life insurance contracts and credit intermediaries, as well as their activities in the field of consumer credit in the market of non-bank financial services.

Additional measures are foreseen for the implementation of the method of calculating the full cost of the loan for the consumer, as well as the deduction of insurance contributions to centralized funds to ensure the «binding» of funds in the event of bankruptcy of insurers and the establishment of a requirement for the formation of reserves of credit unions for operations with financial assets.

One of the main problems of the development of non-bank financial and credit institutions is the limited interest in their financial services compared to banks. Expanding the range of financial services of non-bank financial and credit institutions and deepening their specialization in certain areas is important for improving quality and ensuring competitive advantages compared to banks. However, the low level of trust in them calls into question their competitiveness in the market of financial services compared to banks. In particular, the most noticeable competition is in the field of similar financial services provided by both banks and non-bank financial and credit institutions.

Prospects for the development of non-bank financial and credit institutions are related to increasing their competitiveness compared to banks. This can be achieved with the help of measures aimed at increasing investment attractiveness, reducing the risks of intermediary activities, introducing new financial technologies, strengthening state regulation and focusing on European experience in the field of financial services. At the same time, the main difficulties that inhibit the development of non-banking financial institutions in Ukraine are ineffective state regulation of the activities of non-banking financial institutions, including the inconsistency of current legislation with the needs and development of the financial market and its reform processes; low level of public trust and rather limited awareness of the activities of non-banking financial institutions; a decrease in real incomes of the population, which makes it difficult to accumulate funds for investing in the financial sector and the absence of a guarantee fund [5].

The introduction of the Register of Financial Institutions and inspections by the National Bank of Ukraine led to the suspension and/or cancellation of licenses of numerous insurers, financial companies and pawnbrokers in 2021. Market participants who violated the solvency requirements were given a certain time to remedy the violations. Those companies that did not carry out activities and did not have valid licenses for the provision of financial services voluntarily left the market.

In general, the State Register of Financial Institutions is a system aimed at

collecting, storing, protecting, using and disseminating administrative information about non-banking financial institutions. Its creation is aimed at supporting the protection of the interests of consumers of financial services, ensuring state regulation of financial services markets and ensuring transparency of information about financial institutions that are included in the Register. Licensing is a key component of the new model of regulation of non-bank financial institutions. The new licensing requirements are aimed at ensuring transparency, increasing the regulator's awareness and raising business management standards [4]. In the future, this will contribute to the development of the market of financial intermediaries and the growth of trust in them.

To improve the activity of financial intermediation in Ukraine, it is necessary to: adhere to the Strategy for the Development of the Financial Sector of Ukraine until 2025 for all financial intermediaries, including both banking and non-banking institutions, but the current military and political situation usually makes its own adjustments that should be taken into account; create a favorable information environment for restoring trust in non-bank financial institutions; develop approaches to state policy aimed at stabilizing the macroeconomic situation in the country.

The strategy defines the future directions of the development of the financial system, in particular the restoration and development of the financial sector, ensuring the continuity of its functioning, the gradual cancellation of extraordinary prudential measures, conducting diagnostics of bank assets, monitoring and solving the problem of non-compliance with the provision of loans, the creation of a comprehensive system of rehabilitation and the withdrawal of insolvent participants from the market, as well as the introduction of a system of early response to problems in financial institutions.

Under appropriate macroeconomic conditions, a gradual liberalization of financial markets and a return of monetary policy to the regime of inflation targeting with a floating exchange rate are expected. In order to improve management, it is advisable to put into practice the supervisory procedures of state regulators, which are based on the principles of prudence. This approach will contribute to more reliable functioning of financial institutions and prevent the emergence of crisis situations in their activities, as well as ensure proper protection of property rights of consumers of financial services. In particular, proposals are being developed to build a guarantee system for credit unions (currently they are not members of the deposit guarantee

system). Non-bank credit organizations should continue to actively develop credit activities, improve and develop new credit products that will be of interest to consumers. To ensure their financial reliability and stability, they must effectively use risk mitigation tools.

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## **6.5. MANAGEMENT OF THE FINANCIAL SECURITY OF AN AGRICULTURAL ENTERPRISE UNDER THE CONDITIONS OF MARITAL STATE**

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**Summary.** In the conditions of martial law in Ukraine, economic and political instability, the variability of micro- and macro-environmental factors affecting the company's activities, the need to ensure the sustainable development of the business entity and its financial security is growing significantly.

Management of the financial security of the enterprise is a system of methods and measures aimed at the development and implementation of management decisions related to ensuring the protection of its functioning. That is, the economic security of the enterprise is the state of the most efficient use of its resources to prevent financial risks and create conditions for the stable functioning of all its divisions.

**Keywords:** Financial support, financial security, agricultural enterprise, martial law.

The essence of strengthening the firm's financial security is to achieve the highest efficiency and stability of its activity, which is possible as a result of timely identification of these risks so that the company can successfully overcome them. Accordingly, it is necessary to constantly monitor the situation in order to anticipate them. The reason for the financial insecurity of any enterprise is a large number of financial risks that accompany it during the entire period of operation. Therefore, one of the main tasks of the company's financial security system is to protect its own financial interests from the influence of external and internal factors in order to ensure the efficiency of the company's activities.

Today, one of the most significant factors affecting the financial security of the enterprise is a full-scale war on the territory of Ukraine, as a result of which it provokes a decline in the economy, unemployment, significant rates of inflation, currency fluctuations, etc., negatively affects, first of all, the profitability and solvency of the enterprise, which in turn reduces the level of his financial security. Therefore, in the conditions of martial law and economic instability, it is advisable and necessary to carry out special management of the financial security of the enterprise.

Every branch of the national economy of Ukraine suffered losses as a result of aggression from the Russian Federation. According to government estimates, Ukraine will lose 33.2-33.5% of GDP in 2022 [1]. The agrarian sector of Ukraine is no exception, which also suffered significant losses of human resources, plant and animal products, premises and equipment, fuel and fertilizers. Therefore, it is necessary to study the processes taking place in the agrarian sector of Ukraine, to determine the financial losses during hostilities, to find diversified directions for ensuring the financial security of enterprises in this industry as soon as possible.

Since the agricultural sector forms the food security of the country as a whole, the state is constantly engaged in financial support of agricultural producers and the entire food value chain. However, in the conditions of martial law, the problems of financial support of the agricultural sector have become particularly important, which adds even more challenges for such enterprises.

In addition, the International Monetary Fund (IMF Country Report, 2022)



predicted a 35% drop in the Ukrainian economy in 2022 in the agricultural sector [2], such risks require the development of a system of directions for financial stabilization and security of agricultural enterprises.

The essence of the financial security of the enterprise was investigated in their works by many domestic and foreign scientists, such as Blakyta G.V., Hanushchak T.L., Krasnokutska N.S., Kopteva H.M., Grishchenko I.V., Grinchuk T.P., Melikhova T.O., Vysochyna V.V. and other. Some researchers, in particular Mohylnyi O., Ostashko T.O., Verkhoglyadova N.I., Moskvina B.Yu., Gerasimova O.L., tried to find out the impact of martial law, introduced on February 24, 2022, on the economic activity of the enterprise. However, the issues of financial security of the economic entity of the agricultural sector in the conditions of martial law in Ukraine remain insufficiently researched, and there is no detailing of ways to improve the problematic situation at such enterprises.

Having analyzed the interpretation of the term "security" given by various scientists, it is possible to highlight several of its essential characteristics. Bilyak Yu.V. defines this concept as a certain state, the ability to self-defense, a system of measures and actions [3]. However, Woodward V.V. and Batiyevska O.V. believe that security is the ability of someone or something to grow in the face of threats [4]. In addition, there are definitions of the concept of "security" that reveal its essence through a system of methods that ensure the stability and development of the subject [5]. Many encyclopedias and dictionaries define "security" as a state in which there is no danger to someone or something.

In general, all security characteristics should be considered within the framework of an integrated approach, because a secure state can be achieved not only in the absence of threats, but also when opportunities are provided for their diagnosis and countermeasures.

Undoubtedly, one of the primary needs of the enterprise is its need for security. Abraham Maslow asserts that a need can be defined as a state of a person, social group or society as a whole, which expresses the need for something and depends on the objective conditions of life [6].

There are many approaches to understanding the essence of the financial security of the enterprise. Most scientists are inclined to identify the financial security of the state, and then extrapolate it to the micro level. Blakyta G.V. and Hanushchak T.L. believe that the financial security of enterprises can be identified as a certain

mechanism that ensures the stability of the financial system of the enterprise through the use of protective financial instruments on the one hand and alternatively ensures its effectiveness through the rational use of financial resources [7].

The analysis of the literature makes it possible to conclude that the majority of scientists are supporters of the functional approach. Such scientists as Hrishchenko I.V. and Grinchuk T.P. believe that financial security, as an economic component, is the main one, since it fundamentally affects the financial potential of the enterprise and ensures the achievement of the goals of its economic development [8].

Therefore, the financial security of the enterprise is a primary and indispensable element of economic security, which is aimed at preserving the stability of the domestic economic system, increasing competitiveness, attracting a larger amount of investment capital, etc.

Despite the fact that financial security is part of the economic, the category "financial security of the enterprise" can be analyzed as an independent one, which requires additional research into its essence. Firstly, this is due to the fact that financial activity is primarily aimed at providing business entities with the necessary resources; secondly, the company's financial operations are permanent; thirdly, finance plays the main role in ensuring stable economic growth of the enterprise; fourthly, the most dangerous is the impact of financial risk on the enterprise.

Thus, there are many views on the concept of "financial security of the enterprise", but there is no single approach to defining its components. The reason is that the process of determining the essence of security is quite complex, ambiguous and multifaceted.

Melikhova T.O. and Vysochyna V.V. define the financial security of the enterprise as the protection of the financial interests of economic entities at all levels of financial relations; providing households, companies, organizations and institutions, regions, industries and sectors of the economy, the state with a sufficient amount of financial resources to meet their needs and financial obligations [9]. However, this interpretation does not take into account the possibility of sustainable development of enterprises even under the influence of external and internal threats.

The financial security of the company must ensure its development and stability. Mulyk Y.I. and Dombrovska V.V. point out that the growth of the market value of the company is an indicator of development, and the balance of the company in the long-term and short-term perspectives is an indicator of stability [10]. For its

part, financial security contributes to sustainable development by optimizing enterprise costs, ensuring economic and social benefits, and better access to resources.

Slobodyaniuk N.O. and Shocker R.I. claim that the analysis of the financial security of the enterprise shows the state of the enterprise, the compliance of its financial and economic capabilities with the conditions that have developed on the markets and in the country, and therefore, gives an opportunity to give an objective assessment of the correctness and expediency of the chosen financial strategy [11]. Therefore, the financial security of the enterprise can also be characterized as a system aimed at creating (adjusting) and implementing effective financial strategies in dynamic market conditions.

Another significant feature of the company's financial security is its interpretation as a process that ensures the protection of the company's financial interests. With its help, N. L. Marusiak and N. A. Bak define the financial security of the enterprise as an identified system of real and potential, external and internal threats that can affect the financial interests of the enterprise [12]. The authors emphasize that the company must reach a state where it can develop and expand despite the threats that affect it.

The interests of the enterprise mean its interaction with the subjects of the external environment, which is carried out constantly or for a limited time, forcibly or with the consent of the enterprise. The result of such relations should be profit. Economic interests are the main among all interests of the company. They primarily reflect the market position of the company and the state of competitiveness of products. Analysis of scientific opinions on this matter allows to determine the list of financial interests of business, which include:

- profit maximization of enterprise owners;
- increasing the profitability of own capital;
- sufficiency of financial resources at all stages of enterprise development;
- financial stability of the company in conditions of its growth;
- high level of investment activity and investment efficiency;
- effective neutralization of financial risks;
- high level of financial and innovative activity;
- quick overcoming of the financial crisis, etc.

Such researchers as Kvasnytska R.S., Dotsenko I.O., Matviychuk L.O.

determined the social and economic role of financial security [13]. The social role for the company is to emphasize its social or property status, and the economic significance of financial security is to ensure stable and guaranteed investments, to increase the price of the product over time, to reduce economic risks due to low-quality products or services.

Also, such scientists as Fedulova I.V. and Pyatnytska G.T. believe that financial security means the ability of companies to create a system of self-protection and growth in the face of threats [14]. In addition, the authors, researching the concept of financial security, highlighted its main aspects:

- financial security of the enterprise is a component of its economic security;
- is a process that ensures the protection of the company's financial interests;
- is one of the factors of the company's growth and its stability;
- it can be characterized by a set of quantitative and qualitative indicators, which must have an appropriate threshold for determining the level of security.

Another group of scientists (A.V. Zhavoronok, A.V. Marich) agrees with the above positions and defines the financial security of the enterprise as such a state of financial resources that ensures the effective (profitable) activity of the enterprise, protects its financial interests and preserves its ability to regulate liquidity, solvency and financial capabilities under the influence of various types of dangers [15]. The main point of this definition is the efficiency of formation and use of financial resources, which makes the company profitable and solvent.

M. A. Demyanchuk in his writings pays considerable attention to the destabilizing factors of the financial security of the enterprise [16]. The author claims that the activities of the enterprise are influenced by numerous factors that cannot be controlled and monitored, as this entails significant time costs and requires financial and human resources. Therefore, it is important for the enterprise to identify those threats that directly affect its activities, and then to control them. It is also necessary to determine "critical risks" for the business, which can significantly affect its financial condition and lead to a deep financial crisis or even bankruptcy.

Another point that M. A. Demyanchuk advises to pay attention to when identifying threats is the stage of the company's life cycle, as it can significantly affect the number and set of threats, especially when the company moves from one

stage to another. Understanding what stage of the life cycle the enterprise is at can greatly facilitate the fight against threats, since a system of typical risks at each stage (rise, maturity, crisis, stagnation) has already been developed.

A review of the significant characteristics and various definitions of financial security confirms that it is a multifaceted and complex category. At the same time, all the specified characteristics reflecting the peculiarities of financial security are interrelated.

Taking into account the main characteristics of the financial security of the enterprise, its essence can be formulated as follows: "Financial security is the financial state of the enterprise, which is characterized by the balance of financial resources and the ability to ensure their implementation, resistance to the negative impact of internal and external environmental threats, and the ability to ensure financial balance and sustainable financial stability of the enterprise in the short and long term".

Considering financial security as a sustainable system, the following main points can be noted:

➤ firstly, the stability of the company's financial security system is considered as its dynamic characteristic. This means that along with the parameters of its static state, it can be characterized by stable trends and their changes in development;

➤ secondly, the sustainability of the company's financial security system is not absolute. This means that the importance of individual parameters in the development of the company's financial security system can be cyclical or situational in nature. However, fluctuations in individual parameters of the company's financial security system maintain the necessary level of protection of financial interests;

➤ thirdly, at different stages of development, the financial security system of the enterprise can change and reach a new level of stability of its parameters (such transitional periods can be attributed to the new life cycle of an enterprise that is experiencing a financial crisis, its reorganization, etc.).

Without a doubt, the financial situation and financial security of the enterprise is the basis of the economic well-being of the state as a whole. At the same time, it is a source of positive influences or threats to the country's economic security. Therefore, in order to determine the essence of the "financial security of the enterprise" it is necessary to analyze not only the views of scientists, but also to

analyze regulatory and legal acts. It should be noted that today there are no legislative acts in Ukraine that would regulate the financial security of a business entity.

The basis of legal acts aimed at regulating financial security and bankruptcy is the Constitution of Ukraine, the principles of which are used by the Government of Ukraine when forming state policy. The term of financial security of the enterprise is not defined in the legislation of Ukraine. Therefore, the financial security of the enterprise is indirectly regulated by such Laws of Ukraine as the Law of Ukraine "On National Security of Ukraine" [17], "On Protection from Unfair Competition" [18] and the Economic Code of Ukraine [19].

The Commercial Code of Ukraine pays considerable attention to restrictions on monopoly in the economy, illegal agreements between enterprises, business discrimination, unfair competition, illegal use of the company's reputation, creation of obstacles to competition, violation of commercial secrets. This legislative act also focuses on measures to prevent bankruptcy of economic entities.

When studying financial security, it is also necessary to take into account the Final Act of the Conference on Security and Cooperation in Europe (Helsinki Act), section "economic and commercial information" [20]. It indicates that signatory states have the right to use economic data to analyze relevant markets and develop medium- and long-term forecasts that will help establish sustainable trade flows and better use financial opportunities.

At the same time, all the above definitions of the essence of financial security of the enterprise are quite acceptable for peacetime, but in wartime, when there is not just a potential, but a real danger, the fact of the presence of a large number of threats and risks in conducting business activities is obvious. The situation is complicated by the fact that management decisions during martial law are made in conditions of the most pronounced uncertainty and high risk and are aimed at minimizing it.

In Ukrainian legislation, "martial law" is defined as "a special legal regime introduced in Ukraine or in some of its localities in the event of armed aggression or a threat of attack, danger to the state independence of Ukraine, its territorial integrity, and provides for the provision to the relevant state authorities, the military command, to military administrations and local self-government bodies, the powers necessary to avert the threat, repulse armed aggression and ensure national security..." [21].

So, having conducted a comprehensive analysis of the concept of financial security of the enterprise, it is worth paying attention to the theoretical aspects of the

impact of the legal regime of martial law in Ukraine on the activities of economic entities in the agrarian sector.

Today, a large number of scientists consider the problems of macroeconomics, threats to the economic sphere and global food security caused by the full-scale war of the Russian Federation against Ukraine. The numerous studies that were devoted to the Russian occupation of Crimea and certain areas of Donetsk and Luhansk regions in 2014 are very important for various reasons. However, the occupation of these territories did not cause such significant damage to agricultural enterprises, since mainly industrial entities operated here. So, there was no question of critical consequences for the financial security of farmers at that time. That is why it is now important to reveal the peculiarities of managing the financial security of agricultural sector enterprises in the conditions of the legal regime of martial law and to determine the degree of their vulnerability.

Today in the literature there are almost no in-depth thorough studies of the financial losses of enterprises of the agrarian sector of Ukraine during the military aggression of Russia in 2022. Separate aspects of this scientific and practical problem are highlighted in the economic activity of Ukrainian agricultural enterprises, their economic results and impact on food security.

Mohylnyi O., Patyka N., Kucher A. and other authors claim that there is a direct dependence of the state in the formation of financial security, which is carried out through the appropriate mechanisms of state support [22]. At the same time, thanks to appropriate state support, agricultural enterprises will be able to avoid management threats and effectively use the available resource potential to ensure their financial security. Thanks to the synergy of entrepreneurial initiative and state support agricultural production is an opportunity to strengthen and ensure the financial stability of market entities.

Some scientists, in particular Ostashko T.O., are investigating the consequences of military actions on the export of agricultural products during 2022 due to the blockade of sea ports and the impact on food security in the world [23]. The author suggests directions for partial restoration of agricultural activities of Ukrainian enterprises and their post-war restoration. However, no attention is paid to the financial security of companies.

N.I. Verkhoglyadova pays more attention to the specifics of managing the financial security of the enterprise under martial law. [24]. The author analyzed the

actual issues faced by enterprises in the conditions of war, singled out the passive and active components of economic security and substantiated the decomposition of the legislative and regulatory definition of the concept of martial law. She also proved that in the conditions of martial law, security management boils down to making timely management decisions regarding the selection and implementation of actions capable of minimizing the negative impact of danger factors, or even turning it into new opportunities.

Moskvin B.Yu. investigated the specifics of ensuring the economic security of financial institutions in the conditions of military aggression of the Russian Federation against Ukraine [25]. In his work, the author paid more attention to the theoretical foundations and analysis of scientific literature, which allowed him to single out integral, resource and target approaches to defining the essence of the concept of "economic security of the enterprise". Also Moskvin B.Yu. identified the main determinants of ensuring the economic security of enterprises and outlined directions for its improvement.

The main task of enterprise security management is the minimization of the consequences of the influence of negative factors, in the conditions of war it acquires mainly an adaptive nature. Domestic scientists O.L. Gerasimova, M.V. Podolianu, A.V. Chachkova. began to use the term "enterprise adaptation" when there was an urgent need to develop a management mechanism that would meet all the requirements of a changing external environment [26]. The authors consider adaptation as a reaction of the system, which counteracts the actual or possible decrease in the efficiency of its functioning. At the same time, special emphasis is placed on the fact that the company's financial security system can and should adapt not only to the changes that have occurred, but also to those changes that may occur in the future.

Therefore, the financial security of enterprises is a very important problem, the study of which will take a significant step in the direction of increasing business opportunities in modern conditions. Therefore, it is worth developing a methodology and conducting an analysis of the financial security of enterprises in the agrarian sector, in order to further implement the strategy of ensuring their stable operation in the current and strategic periods.

In order to carry out an empirical analysis of the management of the financial security of the enterprise, we set ourselves the task of determining the peculiarities of



the methodology for assessing the financial security of the economic entity. There is a need to assess the financial security of one or another enterprise, because in the conditions of a market economy and constant external threats to business, the assessment of financial security is an integral element of the activity of any entity. The evaluation of the company's financial security is also necessary for formulating a strategy for improving the efficiency of the company's financial and economic activity.

The problem that arose before us when assessing the financial security of the enterprise in the conditions of martial law was the partial or complete lack of reliable information. The reliability of the received information, especially in non-standard situations, is a key point in assessing the current financial condition of the business entity and in providing recommendations for further activities.

Today, during a full-scale war in Ukraine, there are many reasons that make information unreliable. Inaccurate information can arise from the fact that the phenomenon is not well known, or from the source itself, which can be completely or partially unreliable. In this case, unreliable sources may provide conflicting information (for example, information sources funded by industry or political lobbies). So, under some assumptions, the source cannot provide exact information, but only probable. According to others, even if the information is unambiguous, the inaccuracy of the source leads to the addition of uncertainty to the existing ambiguity [27].

Thus, in order to assess the financial security of the enterprise in the conditions of martial law, in addition to standard sources of information, such as legislative and regulatory acts, data of the State Statistics Service of Ukraine, financial statements of the enterprise, analytical studies, Internet articles, economic bulletins, interviews of business owners, information from magazines, publications of individual companies and government organizations.

The key parameters of the assessment of the company's financial security system were determined by N.S. Sytnyk and L.I. Zhigovska [28]. Accordingly, the importance of the information base proves the effectiveness of creating safe conditions for the operation and development of the enterprise.

The level of financial security of the enterprise is constantly changing as a result of interaction with the external environment and under the influence of internal processes. This requires focusing maximum attention on assessing the level of

security in each separate period of time in order to develop and implement appropriate protective measures. Therefore, the priorities of the company's financial security are as follows: preservation of the enterprise as an open socio-economic system; avoiding and counteracting all internal and external challenges, risks and threats; achieving one's own interests through their coordination in the internal and external environment; sustainable development; promotion of effective use of available resources; ensuring the use of all additional functions.

Kalmykov O. V. grouped the methods of assessing the level of financial security of the enterprise. It is evaluated on the basis of the study of cash flows, assessment of the financial stability of the enterprise, methods of forecasting bankruptcy, determination of integral indicators, financial indicators-indicators [29]. The analysis of these indicators allows a comprehensive assessment of the financial security of the company. After all, any enterprise must have sufficient financial resources to pay current bills on time, and an enterprise that is unable to fulfill this condition risks becoming bankrupt.

Obstacles in assessing the financial security of an enterprise can be:

- variety of approaches to assessment;
- lack of an agreed list of criteria;
- presence of subjectivism in the assessment process;
- limited primary information and its unsatisfactory quality;
- a large number of indicators and considerable complexity of calculations;
- identification of financial security with the efficiency of the enterprise;
- problems of practical application.

The most important characteristic of the financial and economic activity of the enterprise is its financial condition. It determines the degree of competitiveness of the enterprise, its potential, evaluates the efficiency of distribution and use of available resources, etc. In particular, the issue of financial planning and the study of the efficiency of the enterprise's functioning are dealt with by I. A. Belousova. and Likhota L.I. [30]. The authors considered the management methods of business entities and highlighted the importance of the planning function in managing the financial condition and security of the enterprise. Their scientific work became the basis for the study of the financial situation of the selected enterprises.

A financial analysis is conducted to determine the financial security of the

enterprise. The main purpose of which is a comprehensive assessment of the state of the enterprise, with the aim of identifying and eliminating shortcomings in the financial and economic activity of the organization, as well as finding reserves for increasing liquidity, financial stability, business activity and efficiency of the enterprise.

The following main principles of assessing the financial security of the enterprise were highlighted:

- complexity – characteristics of the security level by key functional components;
- objectivity – reflection of the real level of security;
- effectiveness – a set of indicators that can be used at a specific enterprise;
- periodicity - calculation with a certain interval to assess the dynamics of changes in the security level;
- sensitivity – the ability to receive data on significant changes in the security level as a basis for making adequate protective decisions [31].

The main goal of financial analysis is the calculation of a number of priority indicators that allow you to see the current financial state of the enterprise. These indicators include an analysis of the company's property status, liquidity, solvency (financial stability), business activity, profitability, and cash flow status.

The structural-logical toolkit, the systematization of empirical data, and the worldview of the authors contributed to the consistent formulation of methods and procedures for assessing the financial security of an enterprise, which provide a promising vision of the potential for further research in the direction of the specified topic.

Agriculture has historically been one of the main branches of Ukraine's economy. This sector forms resources and provides products to meet the needs of both the domestic and international market, actively influences the structure of this market, price policy, economic, social and technological aspects of development.

Since today's economic development is characterized by processes of globalization, transformation, changes in the structure of GDP and orientation towards new technologies and services, the agricultural sector still remains one of the most vital in both the world and domestic economies, because the effective development of agriculture is the basis of food and national security

In turn, agribusiness is the main growth engine of the Ukrainian economy. Ukraine has always been known as the "breadbasket of Europe", because its share accounts for about 25% of the most fertile chernozems [32].

The agricultural sector occupies an important place in the country's economy. Thus, the share of the industry in the country's GDP in 2021 amounted to more than 14.4%, and the share of the agricultural sector in the total amount of gross added value was 12.7%.

At the end of 2021, agricultural land constitutes 72.01% of the total land area of Ukraine. That is, all regions of the country are more or less involved in agricultural production. Traditionally, the main regions of grain and leguminous crops production are the eastern (Kharkiv and Dnipropetrovsk), southern (Zaporizka, Odesa, Kherson, Mykolaiv), central (Kirovohrad, Kyiv, Cherkasy, Poltava) regions. The largest crops of sugar beets and the main number of sugar factories in the country, and accordingly production, are located in the Vinnytsia, Poltava and Khmelnytsky regions. Specialization in the cultivation of potatoes is typical for the northwestern (Zhytomyr, Lviv, Rivne regions) and southern (Mykolaiv, Kherson, Odesa) regions of Ukraine. Western (Transcarpathian) regions are most focused on growing vegetables and fruits.

It is possible to see a tendency towards a decrease in the specific share of the rural population in the total population. This is explained by the fact that more and more people choose a more comfortable urban area for permanent residence. At the same time, the share of the population employed in the agricultural sector from the total number of employed people in the national economy is increasing. As of the end of 2021, population employment in agriculture was 17.35%, which is 1.94% more than in 2017.

There is a constant increase in the share of export and import of agricultural products. In 2021, the export of the specified products accounted for 46.2% of the total volume of commodity exports. A total of 27.8 billion dollars worth of goods were exported. USA. That is, almost half of Ukrainian exports are agro-food products.

The main agricultural crops exported are grain and fodder crops, including wheat, corn, barley, sunflower, sugar beet, legumes, fruit and vegetable crops, tobacco, etc.

The share of imports is growing faster. The import of agricultural products in

2021 reached the level of 6.5 billion dollars. USA, which is 12.9% of the country's total merchandise imports.

It should be noted that in the commodity structure of imports, there was an increase in purchases of all categories of agricultural products: livestock products were imported for a total amount of 1.3 billion dollars. (+17%); crop production - by almost 2 billion dollars. (+11%); fats and oils - for 280 million dollars. (+11%); almost 3 billion dollars worth of finished products were imported. (+13%) [34].

The combined capacity of all certified elevators in Ukraine as of 2020 is about 55.3 million tons. The leading positions are occupied by Odesa, Poltava, and Mykolaiv regions, which can store 5.39 million tons, 5.16 million tons, and 4,29 million tons of agricultural products, respectively. The smallest elevator capacity is in the Chernivtsi and Transcarpathian regions - 0.23 million tons and 0.11 million tons, respectively.

In recent years, the construction of elevators and the increase of their capacity is underway in many areas. In particular, in 2020, elevator capacity increased in Chernihiv Oblast by 660,000 tons, Odesa Oblast by 600,000 tons, Vinnytsia Oblast by 380,000 tons, and Poltava Oblast by 240,000 tons. In general, compared to 2019, the total capacity of Ukraine's elevators increased by 4 million tons.

Today, the agricultural sector is an important component of the national economy, as it is one of the strategic budget-forming and export-oriented sectors. In recent years, the agrarian industry has undergone radical transformational changes related to the reformation and formation of the system of land relations and market relations. Positive processes are due to the results of the economic activity of new structures, the implementation of the scientific principles of agrarian reform, significant capital investments and the introduction of new technologies. However, the climatic factor influencing the development of the agrarian sector of the economy cannot be ignored. There was a significant increase in the production of winter barley and corn by 47.5% and 41.9%, respectively. These crops are in high demand on the international market, so domestic farmers are primarily focused on exporting their products. There was also a significant increase in the production and yield of common and winter wheat, which is the most widespread crop grown in Ukraine.

Sunflower production increased significantly - by 25.1%. Today, it is a powerful industry of production and processing, which has an export-oriented direction, in particular oil and margarine.

The area of sugar beet harvesting and production decreased by 98.9% and 96.8%, respectively. This may be related to the drop in demand for sugar and the change in the food culture of the population, because now more and more people are gradually giving up sugar for the sake of health.

In most regions, the average yield of grain, leguminous and oil crops has approached the level of the countries that are world leaders in terms of their cultivation productivity. In particular, in 4 oblasts (Kyiv, Cherkasy, Chernihiv, and Vinnytsia) this indicator exceeded 7 t/ha, and in Khmelnytsky - 8 t/ha [34].

For other agricultural crops, quite significant progress in yield growth is also observed. To a large extent, this is the result of the effective interaction of the breeding science of global and domestic private companies and scientific institutions, as well as a change in the general development of agribusiness, which is gradually moving away from the extensive model in favor of the intensive one.

Without a doubt, the year 2021 will go down in history as one of the most fertile, productive and climatically favorable periods of development of the domestic agro-industrial sector. In December 2021, the State Statistics Service of Ukraine published preliminary statistical data on the development of the agricultural sector of the economy and its main industries, in which it noted that the production of grain crops reached almost 85 million tons, which is a third more than last year's figure and is actually the largest in history statistical observations.

In general, many enterprises are currently involved in the agricultural sector of Ukraine. According to the State Statistics Service of Ukraine, these are about 44,000 small and 2,600 large and medium-sized companies, the number of which increases every year. The ten largest agricultural holdings of the state cultivate almost 3.1 million hectares of agricultural land. At the same time, the total number of large agricultural companies increased by 9% during the year, primarily due to the absorption of smaller ones by larger enterprises and the entry into the market of new active agricultural entities.

In terms of the amount of financial resources, the niche of participation of the agrarian sector in general economic finances is steadily growing. The highest indicator of financial resources of most enterprises was in 2016, because due to the relative stabilization of the hryvnia exchange rate and the economic situation in the country, it was possible to observe a significant increase in the collection of grain and oil crops, the production of agro-food products and exports, compared to the crisis

period of 2014-2015.

If in 2013, large enterprises accounted for 55 billion UAH, then in 2021 it will be more than 200 billion UAH, that is, a 3.6-fold increase. The volume of financial resources of medium-sized enterprises increased from UAH 180 billion. in 2013 up to UAH 520 billion. in 2021, i.e. 2.8 times, small enterprises - respectively, from UAH 105 billion. up to UAH 550 billion. or 5.2 times. The financial resources of micro-enterprises accounted for 28% of the resources of medium-sized enterprises in 2013 and 44% in 2021. That is, micro-enterprises and small enterprises are gradually expanding and increasing the volume of their financial resources.

It should be noted that the level of profitability of the operational activity of agricultural enterprises in 2021 was 19.1% (for comparison: the level of profitability of the operational activity in the economy as a whole was 7.5%, in wholesale and retail trade - 17.3%, in IT - 16.2%, in industry - 3.5%, in finance and insurance - 3.1%) [33].

The year 2022 turned out to be extremely difficult for the agricultural sector of Ukraine, because the start of a full-scale war and the introduction of the legal regime of martial law made significant adjustments to the entire system of the industry's functioning. In a large part of the territory of Ukraine, rural infrastructure, oil depots, warehouses for storing fuel and lubricants, food products, grain elevators and terminals, agricultural machinery, etc. have been partially or completely destroyed.

As of the end of June 2022, 308 territorial communities (21.0%) from nine oblasts are located in areas of hostilities or under temporary occupation. These are the territories of Dnipropetrovsk (8.1%); Donetsk (100%); Zaporozhye (77.6%); Luhansk (100%); Mykolaivska (46.2%); Kharkivska (91.1%);

Khersonska (100%); Sumy (35.3%); Chernihiv (7.0%) oblasts [36]. It is these regions that occupy key positions in the agricultural sector. At the same time, the 9 regions of Ukraine listed above, where hostilities were or are being conducted, account for almost half of the GDP [35].

According to the Ministry of Economy, Ukraine partially lost 25% of arable land, or almost 8 million hectares. Almost 15% of the livestock was destroyed on the farms, the objects of the irrigation and reclamation systems were completely or partially destroyed, on 10% of the liberated (as of March 2022) agricultural territories, the enemy left explosive and fortification structures [37].

A report by the Food and Agriculture Organization (FAO) estimated the direct

loss of agricultural assets since the start of the war at US\$6.4 billion (including destroyed irrigation infrastructure, storage facilities, machinery and other agricultural equipment, port infrastructure, greenhouses, field crops, livestock and processing enterprises) [38].

According to the results of the intelligence of the Center for Food and Land Use Research of the KSE Institute, conducted jointly with the Ministry of Agrarian Policy and Food of Ukraine, indirect losses in agriculture in 2022 are estimated at 23.3 billion dollars. USA, including 51% due to the blockade of ports, 42% - due to a decrease in crop production, 4% - an increase in the cost of production, 3% - a decrease in livestock production [39].

As a result of the destruction of the means of production of agro-food products and the restriction of the export of Ukrainian agricultural products to other countries, the food supply throughout the world will significantly deteriorate. In particular, the reasons for this are:

- blockade of Mykolaiv and Odesa ports, through which 90% of agro-food products were delivered under export contracts;
- disruption of production and sales chains;
- impossibility of carrying out spring field work and harvesting in the territories where hostilities are taking place and temporarily occupied territories;
- surge in prices for scarce means of production;
- mobilization of a part of employees of agricultural companies to the ranks of the Armed Forces of Ukraine, etc.

It is obvious that in 2023 it is unrealistic to compensate for such losses on world markets. For reference, before the war, Ukraine ranked fifth in the world in wheat exports, fourth in corn sales, third in barley sales, and first in sunflower oil [40].

According to the Ministry of Agrarian Policy and Food of Ukraine, as of April 2022, every fourth elevator is destroyed (for 4 million tons) or located in temporarily occupied territory [41]. Therefore, farmers actively purchase alternative means for temporary storage of the new harvest (polymer sleeves, silage bags and other mobile warehouses).

As before the unblocking of sea ports, abnormally large volumes of transportation are carried out by rail and road transport, in a combined way with the involvement of the logistics systems of neighboring countries (Romania, Poland,



Slovakia, etc.). On average, the cost of logistics increased by 5-7 times, transshipment in ports/barges and freight in general by 7-10 times. The financial situation was complicated by non-reimbursement of VAT on exported agro-food products, since as of September 12 it reached almost UAH 14 billion [42], although it was formally reimbursed from June 14, 2022.

Therefore, the purchase prices on the domestic market are expected to decrease, since the increase in logistics costs primarily falls on the shoulders of agrarians. At the same time, world prices for wheat this year rose to \$400 in July. USA per ton, and in Ukraine they offer 60-65 dollars for it. USA, which does not even compensate for the cost of production [43]. This has already led to the revitalization of the shadow segment and unprofitability of enterprises during the period of martial law.

The response to the rapid increase in food prices was the government resolution "On Amendments to the Resolution of the Cabinet of Ministers of Ukraine dated December 9, 2020 No. 1236" [44], which established a trade mark-up for food products of important social importance during the wartime period. state and three months after its termination, in the amount of no more than 10%, taking into account the costs of advertising, marketing services, processing services, packaging, and other costs related to their implementation.

However, this regulatory measure did not stabilize the price situation on the domestic market. Due to the upheavals associated with the war, the rate of growth of prices for the processed group of food products in June of this year increased (over the year) to 21.5% [45]. The growth of prices for meat and fish products, dairy products, flour products, and sunflower oil has especially accelerated.

Advanter Group, a consulting company, surveyed 287 small and medium-sized agricultural enterprises from the start of the war to mid-March 2022 to find out whether they had ceased operations or were still operating.

According to the study, as of April 10, 2022, the business environment of agricultural enterprises in Ukraine was characterized by the following: 18.6% of enterprises completely stopped working; 30.9% – almost suspended their activities; 19.1% – work part-time; 17.6% reduced the amount of work. Against the background of such trends, it should be noted that 5.9% of enterprises did not change their indicators; 4.7% of enterprises increased the volume of work; the volume of work increased significantly by 3.2% of enterprises.

The general dynamics of the business activity of agricultural enterprises in Ukraine during the war changed rapidly even within one month (March-April 2022). This information shows that despite the significant deterioration of the business environment and the destruction of internal cooperation under the influence of military operations and the occupation of certain territories of Ukraine, an active search for mechanisms to counter these factors at the micro- and macroeconomic level continues.

The state comprehensively supports and provides an opportunity to find new solutions in difficult conditions to stimulate economic activity and adapt to changes in the business environment by introducing new regulatory requirements. For example, the requirements and deadlines for submitting statistical, financial and tax reports have been changed. Significant changes have taken place in the banking and tax legislation of the country, the system of state price regulation and pricing.

The largest number of small and medium-sized agricultural enterprises (27.1%) had a direct loss caused by the war, from 50 to 200 thousand dollars. USA, and only 2.5% of enterprises - more than 5000 thousand dollars. USA. It is clear that this will greatly complicate the restoration of the financial security of enterprises in the post-war period.

Thus, a strong and stable agricultural sector in Ukraine is critically important for both global and domestic food security. Therefore, it is worth considering how the introduction of martial law affected the financial security of agricultural enterprises of Ukraine.

After the start of a full-scale military invasion of Ukraine, the Decree of the President of Ukraine, approved by the Verkhovna Rada of Ukraine, immediately introduced martial law and the corresponding temporary restrictions affecting the economic environment of both the country as a whole and individual economic entities. Considering the above, there is considerable uncertainty regarding the future development of the military invasion, its duration and short- and long-term impact on Ukrainian agricultural enterprises, their activities, profitability, liquidity and assets.

With the beginning of the war, most enterprises concentrated their activities on regions of Ukraine that suffered less from military aggression. Since March 2022, the spring sowing campaign has already actively started in the Poltava, Khmelnytskyi, Vinnytsia, Dnipropetrovsk, Zhytomyr and Cherkasy regions. In the Kharkiv, Chernihiv, Zaporizhia and Kherson regions, the activity did not take place in full.

Despite the large number of economic challenges, companies try to support low-income categories of the population, allocating part of the funds for humanitarian aid. At the same time, the employees of the enterprises were mobilized to the ranks of the Armed Forces and the Territorial Defense Forces.

The full-scale military invasion of the Russian Federation on the territory of Ukraine on February 24, 2022 led to an extremely difficult socio-economic situation, which had a particularly painful effect on the enterprises of the country's agrarian sector. Understanding changes in the business environment, which is actively transforming under the influence of new challenges in Ukraine's state of war, is important for determining the modern tasks of enterprise management.

The agrarian industry constantly encounters various difficulties, such as financial and economic decline in the country, political instability, imperfection of the tax system, etc. In 2022, military aggression became one of the threats to the stable development of the industry.

In addition to internal factors that affected the level of financial security of each of the enterprises, there were also external ones - political and economic uncertainty, fluctuations in the exchange rate, rising inflation, increased competition between companies on the domestic market, higher prices for production resources, fluctuations in energy tariffs and fuel, deterioration of the demographic situation due to hostilities, etc. In addition, constant Russian missile strikes on the territory of Ukraine lead to power outages and suspension of production processes at some divisions of enterprises.

Thus, the main hypothesis of this study is confirmed. Therefore, the problem of financial security and the efficiency of business management require considerable attention and the search for modern management models adapted to the radically new requirements of wartime.

The financial security of business entities should be considered as a complex category that reflects the level of financial status and financial results of the enterprise, the ability to fulfill its obligations and ensure the development of activities to maintain solvency. It is the financial security of the enterprise that is a prerequisite for its economic development.

The basis for achieving financial security of the enterprise is timely and flexible management of risks and internal factors of business activity. That is, the main role in the anti-crisis management system should belong to the wide use of

internal financial stabilization mechanisms.

Since the main source of own funds is profit, the company should work on increasing it. After all, profit is the main goal of the enterprise, the result of its work, a quantitative measure of the success of the enterprise and determines the possibilities of its further growth and development.

Today, the threats to stable profit growth are both a decrease in the volume of sales due to the complication of available transportation routes, and an energy problem due to constant missile attacks, which prevents the smooth operation of the company's elevators, in particular, the services they provide - drying, cleaning, separation, analysis, etc.

The security of major assets, as well as access to logistics routes, largely depends on the development of military operations. There is significant uncertainty as to whether assets or transportation routes may be damaged or unavailable, and therefore the entity may not be able to transport between locations, customers and suppliers. This may result in additional costs or loss of revenue.

Among the main proposals that will positively affect the level of profitability of enterprises, the following can be distinguished:

- Increasing the volume of collection and sale of products;
- Sale or lease of unloaded equipment and other property;
- Reduction of enterprise costs, etc.

The positive net financial result of enterprises is also influenced by the amount of its expenses. Proposals for their reduction include[46]:

- reduction of costs due to postponement of large investment projects and removal of insignificant capital costs;
- increasing the technical level of production, which involves the introduction of new, progressive technology, mechanization and automation of production processes, improvement of the use and application of new types of raw materials and materials, etc.;
- economical and rational use of raw materials, materials, fuel and electricity, by planning and controlling the use of raw materials by employees and introducing energy-saving equipment into production;
- strict observance of technological discipline in order to reduce waste.

Thus, an increase in the volume of sales of products, the sale of excess equipment or other property and a decrease in the cost of production will lead to an

increase in the net profit of the enterprise and an increase in the amount of own funds to ensure the development of production, and the availability of sufficient financial resources affects their effective use, which determines a good financial security of business.

Therefore, the reduction of receivables and payables at enterprises will lead to the release of a part of working capital and will reduce the threat to financial security.

Other additional ways to reduce large amounts of loan capital are:

➤ Control over short-term debt, including bank loans, which will reduce the possibility of loss of liquidity. The main point in the management of accounts payable is compliance with the terms of return of borrowed funds, because when fines and sanctions are imposed, the amount of revenue decreases, but at the same time the business reputation of the enterprise suffers and as a result there is a risk of termination of cooperation with suppliers and contractors on the part of the latter. Therefore, it is important for enterprises to implement a system of financial monitoring, complex management accounting and control over cash flows, liabilities and assets.

➤ Reduction of the need for financial sources due to liquidation of non-performing assets and acceleration of the turnover of working assets. Acceleration of turnover of current assets leads to faster release of funds from circulation, for which current assets are purchased again. Thus, the volume of production and the amount of profit obtained from the sale of products increases, therefore it is worth: improving the organization of trade; minimize stocks of household materials, low-value and perishable items; reduce the accountable amounts and costs of future periods; to direct the received profit to the replenishment of working capital.

➤ Carrying out a revaluation of fixed assets in order to increase their value, which will contribute to the increase of additional capital, which is a component of the company's equity, as a result, its solvency will increase, and therefore, financial stability.

In general, an increase in the rate of accumulation of own sources and a decrease in the amount of loan capital will lead to an increase in liquidity, financial stability and profit of the enterprise.

In addition to the above-mentioned problems, the level of financial security of the analyzed enterprises is negatively affected by the deterioration of indicators of business activity (turnover ratio of assets, stocks, equity) and indicators of

profitability of assets, activities and products.

In order to increase the turnover of assets, it is necessary to work in the direction of optimizing their amount. To do this, you can sell a part of unencumbered non-current assets, reduce the amount of stocks (provided their volume is excessive) or take measures to return receivables, etc. [47].

Inventory management policy should ensure continuity of the production and sales process. For this, a stock is formed, which ensures production and sales between supply periods. If the current volume of reserves exceeds the optimum, then it is advisable to reduce it, which will free up part of the financial resources. If the current volume of stocks is below the optimum, there is a risk of stopping the production and sales process due to a lack of resources.

In order to increase the profitability of assets, it is necessary to optimize their structure, which will allow to reduce their volume and increase profitability, this will also contribute to the growth of the company's profit in the planned year. To increase the profitability of products, it is necessary to rationalize production costs, optimize marketing communications, increase labor productivity, focus on growing more profitable agricultural crops (wheat, barley, sunflower), etc.

In general, in most cases, to increase the turnover of assets, inventories, equity or profitability, it is worth working in the direction of reducing the amount of expenses and increasing revenues.

So, we can conclude that the start of military operations in Ukraine in 2022 had a rather negative impact on the activities of each of the 5 companies selected for analysis. External and internal challenges and threats significantly complicated the functioning of business entities, which led to the deterioration of their financial condition and stability. Therefore, the main ways of increasing the financial security of the business were developed, which involve the elimination of negative factors, further control and the achievement of better development of the company.

Further research should be focused on the systematization of ways to increase the level of financial security and the development of ways to minimize the identified risks. Strengthening the financial security of the enterprise will help to achieve the highest efficiency and reduce threats from war for the agrarian sector of Ukraine as a whole.

The main results obtained during the research make it possible to draw the following conclusions of a theoretical and practical nature.

Today's economic and political challenges in the country have caused the financial insecurity of most agricultural enterprises. In particular, the beginning of a full-scale war and the introduction of martial law provoked the emergence of real financial risks in the conduct of business activities, which necessitates the definition and generalization of the theoretical concept of "financial security of the enterprise". Financial security is determined by the financial condition of the enterprise, which is characterized by the balance of financial resources and the ability to ensure their implementation, resistance to the negative impact of internal and external environmental threats, and the ability to ensure financial balance and stable financial stability of the enterprise in the short and long term. Considering financial security as a stable system, the following main points can be noted: the stability of the enterprise's financial security system is considered as its dynamic characteristic; the stability of the company's financial security system is not absolute, because it can be cyclical or situational in nature; at different stages of development, the company's financial security system can change and reach a new level of stability of its parameters.

There is a need to assess the financial security of one or another enterprise, because in the conditions of a market economy and constant external threats to business, the assessment of financial security is an integral element of the activity of any entity.

The method of assessing the financial security of the enterprise is reflected in the following algorithm in the agreed order: determination of the purpose of the assessment of the financial security of the enterprise; familiarization with the specifics of the economic activity of the enterprise, the functioning of the industry; determination of assessment indicators; analysis of selected indicators and their grouping; calculation of absolute values according to the formed system of indicators; comparison of absolute indicators with their normative values; calculation of the integral indicator of financial security (according to the Harrington scale); interpretation of calculation results; development of recommendations and strategies for increasing the level of financial security of the enterprise.

The agricultural sector is the main growth engine of the Ukrainian economy. It forms resources and provides products to meet the needs of both the domestic and international market, actively influences the structure of this market, price policy, economic, social and technological aspects of development. The share of the

agricultural sector in the total GDP of Ukraine during 2017-2021 was 10-14.4%. Agricultural land, in turn, accounted for about 72% of the total land area. In recent years, the agrarian industry has undergone radical transformational changes related to the reformation and formation of the system of land relations and market relations. However, the year 2022 turned out to be extremely difficult for the agricultural sector of Ukraine, because the start of a full-scale war and the introduction of the legal regime of martial law made significant adjustments to the entire system of the industry's functioning. As of June 2022, indirect losses of agricultural assets were estimated at 23.3 billion US dollars, primarily due to the blockade of sea ports, complications of logistics, the occupation of parts of the southern and eastern regions of Ukraine, and the increase in prices for seeds, fertilizers, pesticides, fuel, etc. Small and medium-sized agricultural enterprises of Ukraine suffered the most from the war, because 18.6% of them completely stopped their activities. The largest number of small and medium-sized agricultural enterprises (27.1%) had a direct loss caused by the war, from 50 to 200 thousand US dollars, and only 2.5% of enterprises - more than 5000 thousand US dollars.

The following measures were proposed to increase the level of financial security of enterprises: reducing the amount of receivables, which will allow replenishing the amount of working capital; control over short-term debt, including bank loans, which will reduce the possibility of loss of liquidity; reducing the need for financial sources due to liquidation of non-performing assets and acceleration of the turnover of working assets; carrying out a revaluation of fixed assets in order to increase their value, which will contribute to an increase in equity; increasing the volume of production and sale of products, which will contribute to the growth of net income from sale of products; reducing costs (increasing the technical level of production, economical and rational use of raw materials, materials, fuel and electricity, reducing waste). The implementation of these measures will help to save part of the company's costs, increase profits and invest additional free funds in further growth and expansion of activities.

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## **SECTION 7. MODERN INFORMATION SYSTEMS AND TECHNOLOGIES IN ACCOUNTING, ANALYSIS, AUDITING, TAXATION**

### **7.1. MODERN ASPECTS OF TECHNOLOGIES OF ELECTRONIC TABLES IN DOCUMENT MANAGEMENT OF THE ACCOUNTANT, AUDITOR AND FINANCIAL MANAGER**

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**Summary.** The role of data, which has enormous value for enterprises, business, science and society as a whole, is considered. It is emphasized and argued through examples that, thanks to fast and efficient processing and presentation, data can be easily accessible and used in real time, which facilitates informed decision-making and response to changes in the surrounding production environment. The effectiveness of the use of information technologies has been proven, which allows creating convenient and intuitive interfaces for interacting with data, which facilitates working with them and contributes to their better understanding and use. Based on the information technology of Microsoft Excel spreadsheets, templates have been developed that can be useful for various fields of activity, and especially in the work of an accountant, auditor or financial manager of an enterprise or organization. In the research process, a template was built for verification and analysis of deadlines for making payments to the bank, customers, warehouse, or payroll on the example of an enterprise or organization; a template for keeping a timesheet; a template of a travel letter of an official passenger car and a template of an order to hire an employee. All templates are adapted to the work of any companies, organizations or enterprises of Ukraine. To work with templates, modern software is used, namely, Microsoft Excel spreadsheets and Google Sheets tools. The examples prove that the results of using ready-made developed templates make it possible to make the most effective use of the professional experience of accountants, auditors and financial managers and ensure the least amount of time spent when compiling reporting documentation. Such an approach to the application of information technologies in the professional

activities of specialists in accounting, financial and other departments of the enterprise can be used for document management and the formation of accountable information in the activities of any enterprise for different periods of time.

**Keywords:** Microsoft Excel spreadsheets, Google Sheets, document templates, conditional formatting, information analysis, formulas in templates, accountant and auditor tools, financial manager tools.

Accountant, auditor and financial manager define a key role in financial management and accounting in enterprises and organizations. Accountants keep records and analyze financial transactions, ensuring accuracy and compliance with legal requirements. Financial managers are responsible for planning and managing the company's financial resources, ensuring its stability and development. The work of these specialists not only ensures compliance with tax and financial legislation, but also helps in making strategic decisions and achieving financial goals of the enterprise or its branches (subdivisions).

In today's world, where volumes of financial data are growing rapidly, the use of spreadsheets such as Microsoft Excel is an essential tool for accountants and financial managers. They allow you to efficiently organize and analyze large amounts of data, quickly make calculations and prepare financial reports, and use conditional formatting and other tools to highlight important aspects of financial information. Without the effective use of spreadsheets, accountants and financial managers can waste significant time on routine tasks and devote less attention to strategic analysis and planning. Thus, the use of electronic spreadsheets becomes a key element of successful financial activity and management.

Microsoft Excel spreadsheets are a powerful tool for processing data, creating tables, performing calculations and analyzing information. It allows you to create complex formulas, graphs and charts, making it indispensable for many professionals in the field of accounting and finance. With the help of Excel tools, you can quickly organize the analysis of large volumes of data, prepare reports in the form of summary tables or consolidated data.

Many scientists, including, for example, O. Adamyk [1], S. Adonin [2], N. Havrylenko [5], S. Ivakhnenkov, are devoted to the issue of the introduction and use of information technologies of Microsoft Excel spreadsheets in the work of accountants and financial managers. [7], S. Korol [9, 10], S. Oneshko [13] and others

[8, 12, 17, 18, 19]. Analysis of the advantages, disadvantages and prospects of using modern technologies in the professional activities of accountants, auditors and financiers of enterprises was conducted, in particular, by S. Babinska [3], N. Vasylieva [4], S. Harkusha [6], I. Torlopov [10], S. Moroz [11] and others [14, 15, 16, 17].

However, the works of these scientists do not fully reveal the problem of automating the work of accountants and financial managers and, unfortunately, do not sufficiently highlight the importance of automating the process of document management, planning and forecasting at the level of enterprises and organizations. Therefore, the issue of studying the use of modern information technologies in the work of financial managers, accountants and other specialists, particularly in the processes of automating work with document templates, is relevant for domestic enterprises, organizations, and financial institutions. It is necessary to pay attention to some of the main functions of accountants and financial managers in the workplace, including accounting, analysis, planning, control and reporting using Microsoft Excel spreadsheets, what tasks they can perform on a daily basis, what skills, knowledge and tools professionals need for this.

Excel templates are a powerful tool for accountants and financial managers in a firm, company or enterprise. Their use allows you to automate many routine tasks, increases productivity and helps save data in a convenient format for analysis.

The most common elements found in Excel templates are: table blanks and data entry areas that allow users to easily enter and organize information; built-in formulas and functions that automate calculations and data processing; sample graphs and charts that allow you to visualize data for better understanding and analysis; customized conditional formatting and styles for data design and report creation; the possibility of including macros to automate certain actions or data processing; other templates created by other Office programs, such as reports, letters, presentations. These are just a few examples of items that can be included in Excel templates. They can be configured for a variety of purposes, from simple data storage to budget planning, so they are an integral part of the workflow of accounting and finance professionals.

Conditional formatting in Excel is a powerful tool that allows you to automatically change the appearance of cells based on specified conditions. This allows certain values or patterns in the data to be highlighted, making them easier to



perceive and analyze. For example, it is possible to apply conditional formatting to highlight all values that exceed a certain threshold with a color, or to highlight the largest and smallest values in a column to better identify them and visualize the perception of information. Excel provides many options for customizing conditional formatting to be able to highlight and emphasize different aspects of data for ease of analysis. In the work of the chief accountant, an interesting situation is when it is necessary to analyze payment deadlines for the enterprise or its subdivisions, when there are areas of operations that need to be controlled or limit indicators of the deadlines for bank, customer, warehouse or payroll operations. In this case, it is convenient to make a table with a comment on the operations that need to be performed and the dates of their execution. In the plate, the person responsible for the subdivisions puts a mark on the date of execution of operations. It will be relevant to apply conditional formatting to this data.

Conditional formatting in Excel allows you to apply formatting to cells based on specified conditions. At the same time, you can use formulas to create complex conditions for formatting. So, for example, you can use in conditional formatting: simple conditional formatting by cell value; conditional formatting based on the result of another formula; conditional formatting using functions; conditional formatting using a text value, and you can combine conditions and function usage. After that, Excel will automatically apply conditional formatting to the selected cells, highlighting those that meet certain conditions (Fig. 1).

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Current date	25.12.2023	Bank			Buyers			Storage		Salary		
2			Leftovers	Exchange rates	Articles of movement of funds	Acts of animals	Register of documents	6432/6431	Transfer documents	Fix parties	Calculate zp	Payment of salary	Check registers
3	Responsible for execution	Enterprise	02.01.2024	03.01.2024	05.01.2024	10.01.2024	12.01.2024	14.01.2024	03.01.2024	12.01.2024	04.01.2024	05.01.2024	06.01.2024
4	Alieva R.B.	Enterprise 1	02.01.2024	05.01.2024	05.01.2024	09.01.2024	14.01.2024	14.01.2024	02.01.2024				
5	Bolenko I.D.	Enterprise 2	03.01.2024	03.01.2024	06.01.2024	12.01.2024	12.01.2024	15.01.2024	04.01.2024				
6	Voloshko M.Ya.	Enterprise 3	01.01.2024										
7	Gromov V.D.	Enterprise 4	01.01.2024										
8	Yezhova P.E.	Enterprise 5	01.01.2024										
9	Dolenko K.V.	Enterprise 6	01.01.2024										
10	Kusainov T.M.	Enterprise 7	01.01.2024										
11	Lukich T.P.	Enterprise 8	01.01.2024										
12	Nazarova S.L.	Enterprise 9	01.01.2024										
13	Petrakov K.O.	Enterprise 10	04.01.2024										
14													
15													
16													
17													
18													
19													
20													

Rule (applied in order shown)	Format	Applies to	Stop if True
Formula: =ISBLANK(C4)	AaBbCcYyZz	=C4:C5	<input type="checkbox"/>
Formula: =NOT(C4<=C5)	AaBbCcYyZz	=C4:C5	<input type="checkbox"/>
Formula: =C4<=C5	AaBbCcYyZz	=C4:C5	<input type="checkbox"/>

Fig. 1 – The result of applying conditional formatting using the appropriate rules

As a result, an accountant, manager or other specialist can clearly analyze the fulfillment of deadlines and draw a conclusion regarding their untimely fulfillment.

Another example of the use of conditional formatting by accountants, auditors or financial managers involves creating appropriate rules using formulas and functions in a separate part of the worksheet, and in the table itself they will work for the relevant data (Fig. 2). Specialists can form these additional rules on a worksheet and hide them when demonstrating the analysis of reported information (Fig. 3).

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	
1		15.01.2024														
2																
3		Closing period	Ledline	Fact	The date is fact	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5						
13	Check 93		12.01.2024	+	13.01.2024	FALSE	FALSE	FALSE	TRUE	FALSE						
14	Calculate interest on the loan		13.01.2024	+	13.01.2024	FALSE	FALSE	FALSE	FALSE	TRUE						
15	Check reconciliation 631		13.01.2024		14.01.2024	FALSE	FALSE	FALSE	TRUE	FALSE						
16	Check reconciliation 361		14.01.2024		14.01.2024	FALSE	TRUE	FALSE	FALSE	TRUE						
17	Carry out Determination of FR		14.01.2024	+	16.01.2024	FALSE	FALSE	FALSE	TRUE	FALSE						
18	Close editing		16.01.2024	+	18.01.2024	TRUE	FALSE	FALSE	FALSE	TRUE						

Fig. 2 – Creating formulas in a separate part of the worksheet for conditional formatting

	B	C	D	E	F
1		15.01.2024			
2					
3		Closing period	Ledline	Fact	The date is fact
4	Check currency rates		02.01.2024	+	03.01.2024
5	Transfer all documents		05.01.2024	+	04.01.2024
6	Correct errors in batches and calculations		06.01.2024		04.01.2024
7	To calculate zp		05.01.2024		05.01.2024
8	Check 231		08.01.2024	+	09.01.2024
9	Check 91		09.01.2024		09.01.2024
10	Transfer the documents		10.01.2024		09.01.2024
11	Conduct Closing of the month		11.01.2024	+	09.01.2024
12	Check 92		12.01.2024	+	09.01.2024
13	Check 93		12.01.2024	+	13.01.2024
14	Calculate interest on the loan		13.01.2024	+	13.01.2024
15	Check reconciliation 631		13.01.2024		14.01.2024
16	Check reconciliation 361		14.01.2024		14.01.2024
17	Carry out Determination of FR		14.01.2024	+	16.01.2024
18	Close editing		16.01.2024	+	16.01.2024

Fig. 3 – Demonstration of the results of performing conditional formatting for the closing operations of the corresponding period

It is conditional formatting that allows you to focus on important or interesting aspects of the data, which helps to visually highlight the key points of the analysis. This can be useful for quickly identifying trends, anomalies, or matching certain criteria without having to manually analyze all the data. Focusing on specific aspects of the data facilitates faster and more efficient decision-making based on information analysis.

The conditional formatting function makes Excel an even more convenient and powerful program for working with tables. And users who know about the advantages of this tool undoubtedly work in the program with greater ease and pleasure.

Conditional formatting in spreadsheets is becoming increasingly important in today's world, where the speed and accuracy of data analysis determine the competitiveness of enterprises. The use of this tool in the field of accounting helps to speed up the process of processing and analyzing financial information, which allows you to avoid delays in accounting and management decision-making.

The result of applying several conditional formatting rules for the table with data on the rates of the organization's employees (Fig. 4) makes it possible to clearly visualize the data and perform an analysis of wage rates.

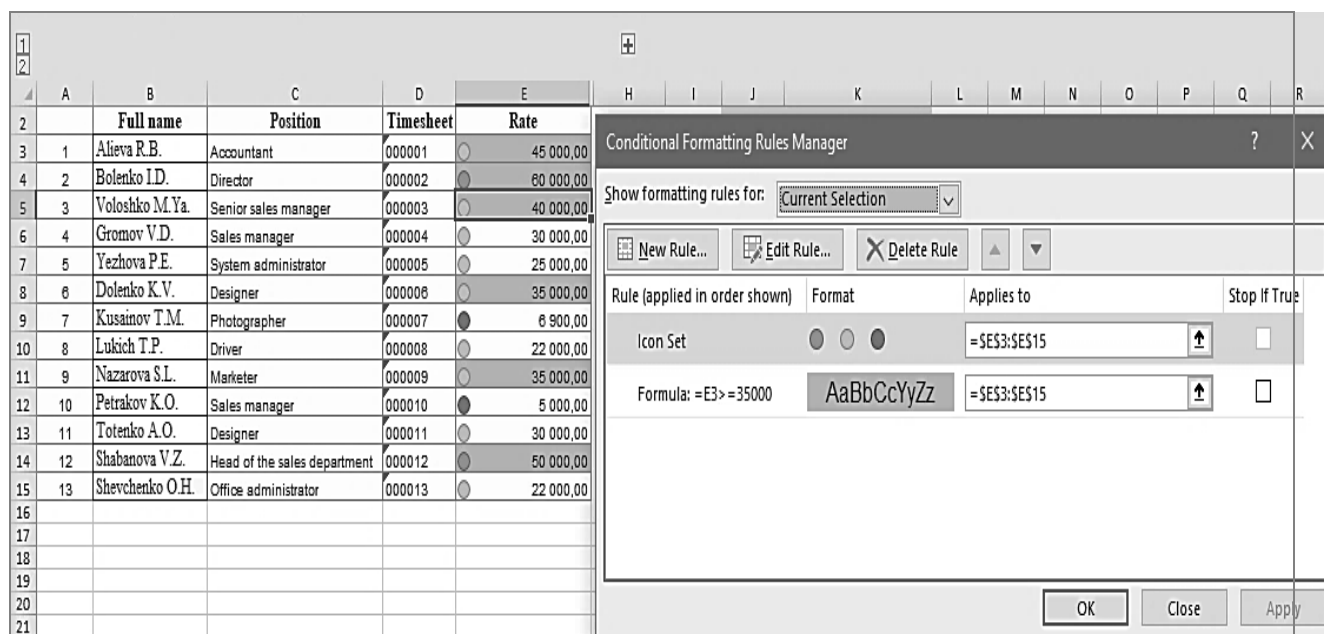


Fig. 4 – The result of using formulas with conditional formatting to analyze the rates of the organization's employees

In the audit field, conditional formatting allows you to quickly identify potential risks and anomalies in financial statements, which makes the audit process more efficient and productive. In addition, the use of conditional formatting in the

field of taxation helps to quickly identify tax obligations and ensures the accuracy of calculations.

In general, conditional formatting is a powerful tool for increasing the efficiency of financial management and optimizing business processes. Understanding its principles and capabilities helps improve the quality of data analysis and management decision-making, which is key to the successful functioning of any organization.

Conditional formatting or its elements can be applied both to ordinary (working) documents of specialists and to reporting documents. One of these documents is the time sheet.

The time sheet is an important document that regulates the working hours of employees at enterprises and organizations. This document defines the length of working hours, the distribution of hours by day of the week, the conditions and procedure for changing the work schedule, and also establishes the appropriate holidays, sick leave and rest breaks. Due to the fact that the time sheet is of great importance for both employees and employers, its preparation and implementation is regulated by the laws of the country. Such normative legal acts establish the rules for drawing up and changing the timesheet, as well as liability for violations of these rules. When creating a timesheet and maintaining it, it is necessary to perform the same operations every month, therefore it is appropriate and important to make a timesheet once, set it up and enter the necessary formulas and formatting elements. All this can also be implemented using electronic spreadsheets, such as Microsoft Excel or Google Sheets. The implementation of the time sheet in electronic spreadsheets has many advantages: it is easy to make changes to the working time schedule, correct errors and update information, which greatly simplifies the process of managing working time; thanks to the functions of automatic calculation of spreadsheets, you can easily calculate the total number of working hours, determine breaks and other parameters, which allows you to use time efficiently; report cards can be easily stored electronically, sent by email or uploaded to cloud storage for later access; spreadsheets can be used to analyze working hours, identify trends, determine work efficiency and identify opportunities for optimizing the work schedule, and in addition, you can easily create reports on working hours for further transmission to management or the HR department.

An example of a time sheet template has the following form (Fig. 5). The



3. Fill in the data for each of the employees using the drop-down list (it is better to use a list to avoid errors when filling in the data). Where, W is a working day (8 hours); Hosp - hospital; V – regular vacation; As - business trip; NS - absenteeism for work; Absent - absenteeism; D\_off – day off; X - still or no longer working. The list of options can be made on a sheet with a report card in a separate range, and then hidden before printing.

4. Perform calculations in the last columns of the report using the appropriate functions COUNTA and COUNTIF:

- ✓ Total KD - = COUNTA(\$E\$2:\$AI\$2)
- ✓ Total working days - = COUNTIF (\$E\$3:\$AI\$3;"P")
- ✓ Number of working days for each employee - = COUNTIF(E6:AI6;"P")
- ✓ Number of days of regular vacation - = COUNTIF(E6:AI6;\$B\$22)
- ✓ Number of business days - = COUNTIF(E6:AI6;\$B\$23)
- ✓ Absence of an employee by agreement - = COUNTIF(E6:AI6;\$B\$24)
- ✓ Hospital employees - = COUNTIF(E6:AI6;\$B\$21)
- ✓ Employee absences - = COUNTIF(E6:AI6;\$B\$25)
- ✓ Weekends - = COUNTIF(E6:AI6;\$B\$26)
- ✓ Days that employees did not work by order - =COUNTIF (E6:AI6;\$B\$27)

This version of the time sheet template can be copied to other worksheets, changes can be made for other months, and the results can be quickly provided to the manager. In general, the use of spreadsheets to create a time sheet allows you to increase the efficiency of time management of the time sheeter, ensuring convenience, speed and accuracy of data processing.

No less attractive are simple templates of standard documents, which can also be created using spreadsheets and ready-made forms can be used many times. For example, the travel document of an official passenger car is used in the business environment, institutions of the civil sector, companies and enterprises.

The travel document of an official passenger car (TDOPC) is a document used to record the facts of the use of an official car for official purposes. This document contains information about the route, the distance covered, the purpose of using the car, the date and time of the start and end of the trip, the number of kilometers traveled, as well as information about fuel and other expenses related to the trip. PLSLA is used in an enterprise or organization for several purposes:

- allows you to record fuel costs and other costs related to car use, which is important for accounting for fleet maintenance costs;
- allows you to control where, when and for what purposes the company car is used, which is important to ensure its efficient and rational use;
- is a document that confirms the fact of a business trip, which may be important for further expense accounting and reporting;
- allows you to check whether the rules of operation of the car are observed during its use.

In general, the TDOPC is an important document for controlling the use of company cars and accounting for the costs associated with their operation. So, it is quite possible to create a travel letter of a company passenger car in the form of a template for filling in data in spreadsheets. The TDOPC template contains standard text fragments and information that must be entered directly by the user. So, having created a template of such a document, you can quickly fill it with all the necessary general information and predict the places where the information will be filled in by the user himself.

Users can create appropriate notes with comments, formulas with functions, and formulas with reference to additional cells from the database for ease of use of the template. The use of automatic calculation functions in spreadsheets allows you to automate calculations and data processing, which makes the process of keeping TDOPC more efficient and accurate. Data entered as a spreadsheet can be easily analyzed using built-in data analysis functions or by creating custom reports and graphs. This way of using the template enables the user to minimize his actions in forming the travel letter information. Let's consider an example of creating a travel letter template for a company car using Microsoft Excel spreadsheets.

The travel letter template for a company passenger car is located on a separate worksheet with comments for the user (Fig. 6) and has sheets with additional information that is pulled into the template automatically using formulas (Fig. 7 - Fig. 8):

- Directory - information about the make of the car, the driver and his working hours, the brand of fuel, normative indicators of fuel consumption;
- Act of fuel write-off – information about the write-off of used fuel and lubricant materials;
- Database – a database with calculations on fuel consumption and car

mileage, remaining fuel, amount of fuel refueling and other information;

- Fuel - separate information on fuel and lubricants.

Such a template is only an example of a waybill of a company passenger car, which, if necessary, can be modified, add or delete information or generate additional, intermediate reporting information.

The screenshot shows an Excel spreadsheet titled "2\_Подорожній лист простий та списання пального.xlsx". The spreadsheet is divided into several sections:

- Header:** Місце печатки (штампу) and підприємства. Типова форма № 3.
- Vehicle Info:** Серія 05-КК №: 1000000. Затверджено Наказ Держкомстату України 17.02.98.
- Driver Info:** Режим роботи водія: 08:00 - 17:00. Автомобіль: Мерседес АА1111РС. Водій: Артеменко Ігор Петрович.
- Table I: Завдання водівеі (Tasks of the driver):**

У чисі розпорядження	Час прибуття	Час вибуття	Марка пального
1	2	3	
- Table II: Робота водія та автомобіля (Driver and vehicle work):**

Показання спідометра	Час	Водій за станом здоров'я до
при виїзді з гаража	4	
при поверненні до гаража	5	
- Table III: Заправки (Refueling):**

Код марки	Видано	Записок при виїзді	При поверненні	Заправник
9	10	11	12	

Callouts explain formulas like: "Alex: Формула: =IFERROR(VLOOKUP(\$G17;довідник!;\$C\$3:\$F\$6;2;0);\* \*)", "Alex: Формула: =IFERROR(VLOOKUP(\$AE\$4;База!\$C\$4:\$M\$200;2;0);\* \*)", "Alex: Формула: =IFERROR(VLOOKUP(\$AE\$4;База!\$C\$4:\$M\$200;10;0);\* \*)", "Alex: Формула: =IFERROR(VLOOKUP(\$AE\$4;База!\$C\$4:\$M\$200;4;0);\* \*)", "Alex: Формула: =IFERROR(VLOOKUP(\$AE\$4;База!\$C\$4:\$M\$200;5;0);\* \*)", "Alex: Формула: =IFERROR(VLOOKUP(\$AE\$4;База!\$C\$4:\$M\$200;6;0);\* \*)".

Fig. 6 – View of the travel letter template of a company passenger car in Microsoft Excel

The screenshot shows an Excel spreadsheet titled "ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ 'АГРО ОВЕН'". The spreadsheet contains the following information:

- Company Info:** Код ЄДРПОУ 13523687. м. Дніпро.
- Act Info:** Акт № 12.01.2023.
- Fuel Consumption:** за місць: січень. Згідно із даними подорожнього листу за звітності: січень 2023 року було використано.
- В межах норм (Within norms):**

Пальне марки	Тип пального	загальну вартість	загальну вартість
A95	ДТ	Двадцять одна гривня 42 копійки	Вісімдесять чотири гривні 00 копійки
- Понад нормами (Beyond norms):**

Пальне марки	Тип пального	загальну вартість	загальну вартість
A95	ДТ	Дві гривні 00 копійки	П'ять гривень 00 копійки
- Signatures:** Директор: БУДНИК Дмитро. Бухгалтер: ВІТЮК Ольга.

Callouts explain formulas like: "Alex: Вписати дату заповнення подорожнього листа", "Alex: Обрати зі списку відповідний місяць", "Alex: Обрати зі списку тип пального".

Fig. 7 – Worksheet information Fuel write-off certificate



	A	B	C	D	E	F	G	H	I	J	K	L	M
1			1	2	3	4	5	6	7	8	9	10	11
2			=CONCATENATE("";B4;TEXT(A4;"DD.MM.YYYY"))	=IFERROR(VLOOKUP(\$B4;Reference books!\$B\$3:\$D\$5;2;0);0)	=IFERROR(VLOOKUP(\$B4;Reference books!\$B\$3:\$D\$5;3;0);0)				=IF(H4>G4;H4-G4;"Error")	=IFERROR((E4/I4)*100;"")	=IFERROR(J4*1,05;"")		=IFERROR(IF((F4+L4-K4)>0;F4+L4-K4;"Error");"")
3	Date	Auto	Key*	Brand of fuel	Norm	Fuel, the beginning	Beginning, km.	Ending, km.	Mileage	Fuel according to the norm	Adjusted standard*	Refueled	Remainder
4	02.01.2023	Mercedes AA1111RS	Mercedes AA1111RS 02.01.2023	Diesel	20	50,00	500	700	200	40,00	42,00	15	23,00
5	03.01.2023	Mercedes AA1111RS	Mercedes AA1111RS 03.01.2023	Diesel	20	23,00	700	900	200	40,00	42,00	150	131,00
6	05.01.2023	Mercedes AA1111RS	Mercedes AA1111RS 05.01.2023	Diesel	20	131,00	900	1 000	100	20,00	21,00		110,00
7	07.01.2023	Mercedes AA1111RS	Mercedes AA1111RS 07.01.2023	Diesel	20	110,00	1 000	1 550	550	110,00	115,50	200	194,50
8	08.01.2023	Mercedes AA1111RS	Mercedes AA1111RS 08.01.2023	Diesel	20	194,50	1 550	1 600	50	10,00	10,50		184,00
9	01.02.2023	Mercedes AA1111RS	Mercedes AA1111RS 01.02.2023	Diesel	20	184,00	1 600	1 720	120	24,00	25,20		158,80
10	27.02.2023	Mercedes AA1111RS	Mercedes AA1111RS 27.02.2023	Diesel	20	158,80	1 720	1 840	120	24,00	25,20		133,60
11	02.03.2023	Volvo AR4122AA	Volvo AR4122AA 02.03.2023	Diesel	20	133,60	1 840	1 960	120	24,00	25,20		108,40

Fig. 8 – Base worksheet information

So, an example of a TDOPC template can be useful not only for storing information about the use of a company car, but also for generating reporting information, record keeping and data analysis.

Another simple example of the application of templates in enterprises and any organizations is the template of an order or order. An order is an official document that contains instructions or instructions from the management of an organization or enterprise regarding certain issues or processes. Mandatory elements of the order are: the name of the organization issuing the order and the subject of the order; the part specifying the basis for issuing the order, its purpose and justification; in the central part of the order, specific orders or instructions are set out (details, volumes and terms of execution may be given); the elements of the order are the signature of the head of the organization who issued the order, the date of its signing, as well as information about who the order is addressed to and what actions need to be performed (for example, notifying employees about the order). This is a general list of elements of the order, and additional elements may be used, depending on the specific requirements of the organization or enterprise. Spreadsheets provide convenient, simple and effective tools for creating order templates. They allow you to easily organize information in the form of tables with rows and columns, making order templates clearer and easier to read. You can also use various fonts, colors, alignment and other formatting tools to make the text of the order more understandable and attractive. Order templates created in the form of spreadsheets are

easy to save and edit. With the help of automatic calculations and macros, spreadsheets allow you to automate the process of creating orders, making them faster and less error-prone.

Such a template structure is logical and consistent, filled automatically from the company's employee database. In addition, references in the format of spreadsheets allow you to make changes to the content of the document, correct data and add new records. Template spreadsheets can be stored electronically on a computer or in cloud storage, which provides convenient access to them and the ability to share them with other users.

The considered information technologies of Microsoft Excel spreadsheets allow you to create more efficient and user-friendly order templates, additionally using the capabilities of data processing and information visualization.

Therefore, the use of templates created by means of Microsoft Excel spreadsheets is important and relevant. Excel templates can be used to optimize work processes, increase productivity and improve the quality of data analysis in business. In addition, Excel templates allow users to quickly create reports, calculations and graphs using pre-configured templates, which speeds up the process of working with data. Customizing Excel templates for specific business needs allows you to create individual analysis and reporting tools.

The prospects for using templates in spreadsheets are impressive with their variability and versatility. Templates not only facilitate and speed up work with data, but also provide an opportunity to create unique and customized solutions for various fields of activity. Thanks to the constant development of technology, templates in spreadsheets are becoming more efficient and functional. The possibilities of customizing and adapting templates to the specific needs of the user are expanding, which allows you to create more and more complex and advanced solutions. With the help of templates, users can not only effectively perform their tasks, but also quickly respond to changes in the business environment and implement new approaches and strategies.

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## **7.2. TOOLS FOR ANALYSIS OF CRYPTOCURRENCY PAIRS ON FINANCIAL EXCHANGES**

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**Summary.** The article analyzes approaches to the analysis of cryptocurrency pairs on financial exchanges in the context of mathematical methods and IT tools. The importance of effective analysis of price dynamics when conducting financial transactions with cryptocurrencies is emphasized. Attention is focused on the

development of new computer indicators in the analysis of the cryptocurrency market, which makes it possible to significantly expand the list of analytical tools. The methods of technical analysis are considered, the use of which is based on the search for patterns and trends that have developed under similar circumstances over a certain period of time, and these trends can be taken into account for the predictive results of the price of currency pairs. The advantages of technical analysis of cryptocurrency pairs are emphasized, in particular, simplicity, possibility of instant application and trend analysis. Graphical interpretation using patterns and algorithmic analysis as components of technical analysis are analyzed, stock indicators of technical analysis of the cryptocurrency market are given. The essence of the methods of fundamental analysis, which allow to assess how much the asset is overvalued or undervalued, is revealed. A list of metrics on cryptocurrency exchanges and examples of fundamental analysis tools are given. Emphasis is placed on the expediency of using Data Science technology for the needs of analyzing currency pairs on cryptocurrency exchanges and making decisions about further actions regarding asset investment, as a large array of data provides comprehensive information for analytical procedures. Attention is focused on increased attention to artificial intelligence technology in the context of data verification and forecasting of the value indicator of currency pairs on exchanges, artificial intelligence technologies on cryptocurrency exchanges are given.

**Keywords:** Cryptocurrency, financial exchange, analysis of currency pairs, mathematical methods, Data Science.

In today's digitized business environment, IT tools are becoming widespread, including for profit-making needs. One of such digital solutions in business is investing assets in electronic form in the form of cryptocurrency. Business with the participation of cryptocurrency is possible thanks to participation in trading on the cryptocurrency market. Currently, active users of trading in financial markets are specialists who are able to analyze trends in the currency market and forecast the value of currency pairs in the short and long term. Analytical procedures can become the basis for obtaining high-quality and timely information resources for effective business. Optimizing the process of forming information content and its further in-depth analysis is currently an important challenge for a participant in cryptocurrency trading on the market.

The emergence of cryptocurrency and the cryptocurrency market is a new stage in the development of money and stock markets. One of the most urgent issues for market participants when conducting financial transactions with cryptocurrencies is an effective analysis of price dynamics. The most common method used to solve this problem is mathematical analysis. With the implementation of analytical tools, investors can use mathematical methods to understand when there will be a good time to buy or sell a particular coin. In recent years, research in the field of development of new computer indicators in the analysis of the cryptocurrency market has been significantly intensified. This makes it possible to significantly expand the list of analytical tools and select from them those that are most effective in analyzing and forecasting the cryptocurrency market.

Technical analysis methods are actively used in the cryptocurrency market. The use of these methods is based on the search for regularities and trends that have developed under similar circumstances over a certain period of time and these trends can be taken into account for the predictive results of the price of currency pairs. The methods of technical analysis do not include the analysis of factors that affected the price of currency pairs, since it is believed that the dynamics of change already take into account the influence of factors at this real moment of time. It is only necessary to find patterns of change using graphical and mathematical methods and tools. So, the main principle of technical analysis in the cryptocurrency market is the statement that the price of a cryptocurrency pair is not formed by chance, it can be predicted if you look back.

Among the advantages of technical analysis of cryptocurrency pairs can be distinguished:

- simplicity, as a graphic representation of the dynamics of the change always visualizes the results of the analysis, so you can easily see the dynamics and possible changes in the crypto currency exchange rate;

- the possibility of immediate application - technical analysis methods take into account all factors at the present time and it is possible to immediately use the results of the analysis in a specific time period;

- trend analysis - using the appropriate methodology and taking into account the trend of changes makes it possible to calculate or predict possible amplitudes and currency fluctuations of the value of crypto currency.

Technical analysis includes the following components:

## 1. Graphic interpretation using patterns.

Patterns are geometric figures that reflect certain regularities in the trend of changes in the value of cryptocurrency pairs on the charts. Triangles, head and shoulders, double bottoms and tops are among the most popular patterns of technical analysis. A qualitative interpretation of technical analysis patterns allows you to form an effective cryptotrading toolkit. For example, a symmetrical triangle often indicates the continuation of a trend, a descending wedge serves as an indicator of a possible transition to a bullish trend, the "head and shoulders" pattern helps to determine the moment when the trend changes from an upward trend to a downward trend, which allows traders to adapt to new market conditions in time. That is, the patterns of technical analysis act as trading signals for actions on the stock exchanges, therefore the application of trading skills of interpreting graphic patterns is a complex process and not always effective given the experience of recognizing the content and a possible trading scenario.

2. Algorithmic analysis - based on the calculation of the moving average and oscillators. The weighted moving average (WMA) is used as a reference for hourly, daily or weekly charts in determining the direction of the trend and provides an opportunity to identify possible areas of price support, identify potential bull runs and recognize opportunities when prices may trend downward. Oscillators function according to the principles of specialized mathematical formulas, which makes it possible to accurately determine potential continuations or reversals of market trends. The use of these tools makes it possible to predict a change in the direction of pricing and plan a trading strategy - entry or exit from the market.

Technical analysis uses certain algorithms in the form of stock indicators, which reflect the direction of the trend in the crypto-currency market, the speed and strength of the price movement of currency pairs, determine the amplitude of price changes, taking into account the trading volume on the stock exchange (Fig. 1).

Therefore, technical analysis of the price on the cryptocurrency exchange is carried out to find patterns in the change in the exchange rate of currency pairs due to changes in demand. Identified regularities provide an opportunity for further forecasting for the formation of an effective trading strategy.

Methods of fundamental analysis allow you to assess how much an asset is overvalued or undervalued. A fundamental and thorough study of the influence of external and internal factors on the cryptocurrency market helps to form a trading

strategy and the feasibility of opening a position with respect to a specific cryptocurrency. It should be noted that there is no public information in the form of financial statements about cryptocurrency, but there are aggregator sites, in particular CoinMarketCap, CoinGecko, which generate information about the on-chain activity of cryptocurrency pairs, for example, the volume of transactions and their value, community activity, global economic events, etc.

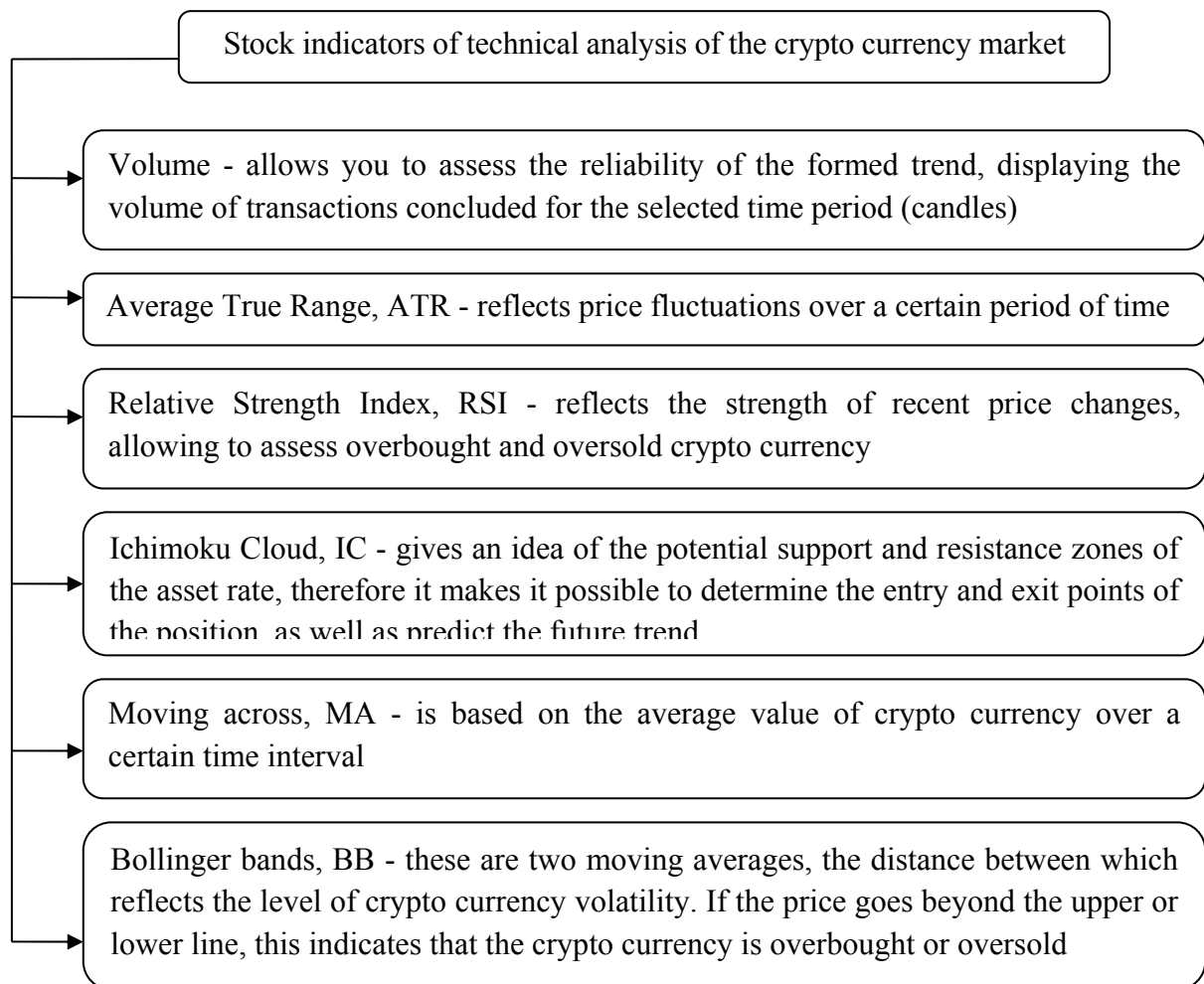


Fig. 1. Stock indicators of technical analysis of the cryptocurrency market

Usually, fundamental analysts use business metrics to estimate the real value of a cryptocurrency. Only reliable, difficult-to-manipulate metrics should be included in the category of selected metrics. For example, social media following is not a reliable metric, as the creation of fake accounts will negatively affect the validity of the analytics. In general, the list of metrics on cryptocurrency exchanges can include:

1. On-chain metrics – metrics obtained during the blockchain review process. Blockchain data includes the number and value of transactions, active addresses, fees paid, hashrate, and staking amount. Such information can be provided by websites or



APIs specifically designed for cryptocurrency exchange decision-making, for example, Bitcoin on-chain analysis, Coinmetrics data graphs, project reports on Binance Research.

2. Project metrics - include a qualitative approach that takes into account factors such as team performance (if any), whitepaper and roadmap.

3. Financial metrics – include information on how the asset is currently trading, how it was traded previously, liquidity, etc.

A fundamental analysis indicator often combines several metrics using statistical formulas to simplify the analysis of relationships. Some tools allow you to create your own indicators with selected metrics. Examples of fundamental analysis tools are Baserank (a cryptoasset research platform that collects information and feedback from analysts and investors), Crypto Fees (shows each network's fees for the last 24 hours or seven days), Glassnode Studio (a dashboard that shows a wide range of indicators and on-chain data). It should be emphasized that fundamental analysis is complex and should be carried out together with technical analysis, because only a combination of analysis methods makes it possible to obtain a significant amount of relevant information.

The use of a large array of data for the purpose of its analysis is becoming particularly relevant. The review of research sources makes it possible to assert the relevance and expediency of using analytical tools, including Data Science technologies in the field of decision-making regarding asset investment on cryptocurrency exchanges. A Data Science specialist with the help of various tools has the ability to collect, analyze, visualize and interpret large volumes of data to identify patterns that can be used to solve business problems or determine the strategy of enterprise development. In particular, the practical use of economic-mathematical tools will allow to identify weak points in the company's activities, assess the risks of activities, make forecasts regarding the effectiveness of activities by means of structuring and visualization of a large array of data. This will ensure the development of measures to use opportunities, prevent the negative impact of threats, and also combine the strengths and weaknesses of the enterprise to make optimal management decisions. For the needs of analyzing currency pairs on cryptocurrency exchanges, Data Science technology is relevant for making decisions on further actions regarding the investment of assets on cryptocurrency exchanges, as a large array of data provides comprehensive information for analytical procedures. The

formation of the software code based on the use of a large array of data will allow to reveal trends in changes in the prices of currency pairs and the factors influencing these changes.

Currently, it is possible to argue about the increased attention to the technology of artificial intelligence in the context of data verification and forecasting of the value indicator of currency pairs on exchanges. All operations related to the analysis of currency pairs on cryptocurrency exchanges can be planned with the help of bots that work on the principle of artificial intelligence. Modern bots can help in writing software codes, in particular, for the analysis of currency pairs on cryptocurrency exchanges, but these codes form the general structure of the code, so they need to be refined in the process of testing in real conditions.

For the use of artificial intelligence for the needs of analysis of currency pairs on cryptocurrency exchanges, the following artificial intelligence technologies are offered:

- machine learning technologies that allow using artificial intelligence to forecast prices, identify trends, etc.;
- neural networks - imitate the work of the brain, so they can be used to predict prices in conditions of a large amount of data;
- deep learning - I use a neural network based on a large amount of data to increase the accuracy of price forecasting.

Examples of the use of artificial intelligence for forecasting prices on currency exchanges are given in Internet sources. In particular, the Bank of China has its own artificial intelligence-based forex price forecasting program that uses deep learning technology to determine the trend of the price of currency pairs and predict trading signals. The Japanese company Nikkei integrated its analytics into the artificial intelligence system, thanks to which it was able to get one of the most accurate forecasts of the dollar-yen exchange rate. Company representatives emphasize that their system learns from data on previous prices, long-term trends of the dollar and yen, and many other indicators that affect the exchange rate.

Therefore, artificial intelligence uses a significant array of data for a certain period of time for the needs of analyzing trends, as well as identifying factors influencing the prices of currency pairs, in particular, the political and economic situation, inflationary processes, geopolitical features, etc. Internet sources emphasize the presence of a significant number of bots for analyzing strategy formation

schedules or changes to it, which help to form business on currency exchanges, including TrendSpider, Imperative Execution, Algoriz, Trade Ideas, etc. Such AI applications are usually paid. In general, artificial intelligence can greatly simplify the analysis of a large array of data, it will form code in the conditions of a significant number of different challenges and problems. The use of artificial intelligence systems to form the general structure of the code for further processing and optimization is relevant.

Thus, technical analysis uses certain algorithms in the form of stock indicators, which reflect the direction of the trend in the crypto-currency market, the speed and strength of the price movement of currency pairs, determine the amplitude of price changes, taking into account the trading volume on the stock exchange. Identified regularities provide an opportunity for further forecasting for the formation of an effective trading strategy. A fundamental and thorough study of the influence of external and internal factors on the cryptocurrency market helps to form a trading strategy and the feasibility of opening a position with respect to a specific cryptocurrency. It should be emphasized that fundamental analysis is complex and should be carried out together with technical analysis, because only a combination of analysis methods makes it possible to obtain a significant amount of relevant information. The formation of the software code based on the use of a large array of data will allow to reveal trends in changes in the prices of currency pairs and the factors influencing these changes. Artificial intelligence uses a significant array of data for a certain period of time for the needs of analyzing trends, as well as identifying factors influencing the prices of currency pairs, in particular, the political and economic situation, inflationary processes, geopolitical features, etc. The use of artificial intelligence systems to form the general structure of the code for further processing and optimization is relevant.

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## ***SECTION 8. MODERN LEARNING TECHNOLOGIES IN HIGHER EDUCATIONAL INSTITUTIONS***

### **8.1. MODERN INNOVATIVE TEACHING METHODS IN INSTITUTIONS OF HIGHER EDUCATION**

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**Summary.** Innovative educational technology and modern teaching methods should be considered as a general didactic process, which is aimed at achieving various goals of learning and personality development of students. These technologies and methods cover a wide range of approaches and techniques that contribute to the active involvement of students in the educational process and the development of their skills and competencies. The analysis of the characteristics of innovative teaching methods showed that these methods can be effectively used in the educational process individually, but in our opinion, a more effective result can be obtained from the complex and systematic use of some methods, for example, modular training can be combined with problem-based training.

**Keywords:** innovations, innovative technologies, methods, training, institutions of higher education

In the modern educational process, the problem of innovative teaching methods remains one of the most urgent in global pedagogical and research activities. However, in the conditions of transformational changes in higher education, the issues of: better experience of innovative educational activities need constant careful study and scientific and practical substantiation; characteristics of the content of interactive forms of education, specifics of their use in higher educational institutions; individualized, team, project-based knowledge acquisition technologies, information and communication tools for learning, online education and other innovations.

Innovative educational technology and modern teaching methods, in our opinion, should be considered as a general didactic process, which consists in the use

of a set of original methods and techniques of joint activity of the subjects of the educational process, aimed at achieving the goal of learning, personality development and creative and professional acquisition of knowledge and competencies in accordance with the tasks of training professionals of the new era.

The use of innovative approaches in education may include such methods as problem-based learning, project-based learning, group work, use of interactive technologies, open learning, etc [1]. These approaches are aimed at creating a stimulating learning environment where students actively interact with each other and with the teacher, jointly solve problems, solve tasks and develop critical thinking, creativity and other key skills. The main goal of such approaches is to increase the effectiveness of education, stimulate self-development of students and prepare them for a successful career in the modern world. These methods allow students to actively interact with the learning material, acquire knowledge and develop important skills necessary for further success in their professional activities.

Innovative technologies in institutions of higher education are characterized as technologies based on innovations: organizational (related to the optimization of the conditions of educational activity), methodical (aimed at updating the content of education and improving its quality); which allow:

- students: to effectively use educational and methodological literature and materials; acquire professional knowledge; develop problem-searching thinking; form professional reasoning; to activate research work; to expand the possibilities of self-control of the acquired knowledge;

- teachers: promptly update educational and methodical literature; implement modular learning technologies; use simulation learning technologies; to expand the possibilities of monitoring students' knowledge;

- in general: to improve the quality of the available technologies for the training of specialists.

Today, the most popular innovative teaching methods that allow the use of new teaching technologies are [1]:

1. Contextual learning is an approach that is based on the integration of various types of student activities and is aimed at creating conditions that are as close as possible to real life situations. The main idea is that learning takes place in a context that reflects the real challenges and tasks that students may face in the future in their professional activities.

This approach involves:

- integration of various activities. Students are involved in educational, scientific and practical work in a single context. For example, they can study the theoretical aspects of a certain topic, conduct research and analysis, and apply the acquired knowledge in practice.

- creation of conditions as close as possible to real ones. Learning situations are created in such a way that they are as similar as possible to real challenges and tasks that students may encounter in their professional activities. This may include working with real-life cases, simulations of practical situations or working with employers in the form of internships or internships.

Contextual learning promotes more effective acquisition of knowledge and skills, as it helps students see the connection between theory and practice, develops their analytical and problem-solving skills, and prepares them for real challenges in professional life.;

2. Imitation learning is a method based on simulation-game modeling in the conditions of learning processes occurring in real systems. The main idea is to create conditions that reproduce real situations or processes as closely as possible and allow students to interact with them in the form of game scenarios.

The main aspects of simulation training:

- this method involves the creation of models or simulations that reflect real systems, processes or situations. It can be a simulation of business processes, medical cases, financial transactions, etc.

- participation in created simulations often takes place in the form of game scenarios, where students assume the roles of participants or managers. This allows them to experiment, make decisions and see the consequences of their actions in a controlled environment.

- simulation training gives students the opportunity to gain practical experience and skills in conditions close to a real professional environment. They can test their knowledge and skills without any real risk to the business or patients.

- one of the key aspects of simulated learning is the opportunity for students to study the consequences of their actions in a safe environment. They can analyze their mistakes, understand the reasons for failure and improve their skills.

This learning method allows students to gain real practical experience, develop decision-making and response skills to various situations, and gain a deeper

understanding of the processes and systems they work with.;

3. Problem-based learning is a method based on the initiation of students' independent search for knowledge through problematization of educational material by the teacher. The main idea is to present students with problem situations or tasks that require their active understanding, analysis and solution.

The main aspects of problem-based learning:

- stimulation of independent thinking. Problem-based learning is aimed at students independently analyzing and solving problem situations, which stimulates their active thinking and search for knowledge.

- active participation. Students take an active part in solving problem tasks or situations, which contributes to their involvement and interest in learning.

- development of critical thinking. Problem-based learning promotes the development of students' critical thinking, as they are forced to analyze and evaluate various aspects of problem situations and seek rational solutions.

- assimilation of deep knowledge. This teaching method promotes deep assimilation of knowledge, as students are involved in actively searching for and understanding the material.

- stimulation of creativity. Problem-based learning promotes the development of students' creative thinking, as they are forced to look for non-traditional solutions to problem situations.

This teaching method allows students to be actively involved in the educational process, develop critical and creative thinking, as well as acquire practical skills for solving problem situations, which is important for their further professional development;

4. Modular training is a method that is a type of programmed training in which the content of the training material is structured in the form of separate modules or blocks. Each module contains a specific amount of material, usually covering a specific topic or concept. The essence of modular training is to master each module as fully as possible, accompanying it with mandatory exercises and control over each fragment of the material.

The main characteristics of modular training [1]:

- structuredness of the material. The educational material is divided into small blocks or modules, which are logically developed in order to ensure effective learning by students.



- gradualness. Students go through each module in turn, starting with basic concepts and gradually progressing to more complex ones.

- control and assessment. After each module, exercises or tests are conducted to check the level of mastery of the material. This allows you to monitor student progress and identify and correct problems in a timely manner.

- flexibility. Students can work with the material at their own pace, adapting the learning process to their needs and learning pace.

- interactivity. Modular training often includes interactive elements such as exercises, cases, videos, etc., which promote engagement and active learning of the material.

Modular training allows students to systematically and consistently master the educational material, providing them with a deep understanding and skills in applying the acquired knowledge. This method also promotes flexibility and individualization of learning, which is especially important in modern educational conditions.;

5. The concept of full assimilation of knowledge, which is based on the ideas of J. Carroll and B.S. Bloom, determines the need to determine fixed learning outcomes and adapt learning conditions depending on the individual abilities of students. The main principles of this concept include:

- formulation of specific goals. It is important to clearly articulate the expected learning outcomes that students should achieve. These goals should be specific, measurable and achievable.

- fixed results. Once learning goals are defined, they become fixed and do not change during the learning process. This allows students and teachers to be clear about what needs to be achieved.

- adaptation of learning conditions. Educational conditions must be adapted to the needs and abilities of each student. This may include individualized instruction, using different teaching methods and strategies to accommodate different learning styles.

- assessment of abilities. It is important to systematically assess students' abilities and respond in a timely manner to their progress and needs. This allows you to identify weak points and provide additional support or development.

- support for independent learning. Students are given the opportunity to independently study the material and develop their skills, which contributes to the active assimilation of knowledge and stimulates self-development.

This concept is aimed at maximizing the learning potential of each student by defining specific goals and adapting the learning process to their individual needs and capabilities.

6. Distance learning is a form of education in which students and teachers interact without being in a classroom or laboratory. The main characteristics of distance learning include:

- use of information and communication technologies (ICT). This is one of the most important features of distance learning. Students and teachers communicate and complete educational tasks using the Internet, e-mail, video conferencing, virtual learning platforms, etc.

- flexible schedule. Students can study according to their own schedule, which gives them the opportunity to work or engage in other activities while receiving an education.

- independence and responsibility. Distance learning requires students to be independent and take responsibility for their own learning. They must be able to independently manage their time and organize their work.

- availability. Distance learning may be available to students from different regions who cannot attend traditional educational institutions due to distance or other circumstances.

- interactivity. Thanks to ICT, students can interact with teachers and fellow students, exchange ideas, opinions and solutions to tasks, even if they are at a great distance from each other.

Distance learning is used as an alternative to the traditional form of education and can be an effective tool for education in today's digital world.

One of the exciting innovations in modern education is the use of virtual reality (VR) and augmented reality (AR) in educational processes. These technologies allow for immersive learning where students can interact with virtual objects and scenarios, helping them better understand complex concepts and acquire practical skills in a safe environment.

For example, in medical education, VR and AR can be used to simulate surgical procedures or diagnose diseases, allowing students to learn without risk to patients. In technical specialties, these technologies can be used for training in the maintenance and repair of complex equipment or systems.

Also, interactive virtual laboratories allow students to study scientific

disciplines such as chemistry, physics and biology by interacting with virtual experiments and observations. This allows you to make learning more exciting and accessible for understanding.

Therefore, the use of VR and AR in education creates many opportunities for interactive and effective learning of knowledge and skills, while developing creativity and an innovative approach to learning.

Thus, the complex and systematic use of various innovative teaching methods can give much better results than the separate application of each method. For example, a combination of modular and problem-based learning can create a more effective learning situation that meets modern educational requirements.

Modular learning allows students to focus on specific topics or skills by breaking the learning material into small blocks or modules. This contributes to better assimilation of the material and retention of students' attention.

Problem-based learning, on the other hand, presents students with real problems or tasks that require the application of knowledge and skills to solve them. It promotes the development of analytical thinking, critical thinking and practical skills.

By combining these two approaches, you can create a curriculum that promotes both deep assimilation of knowledge and its practical application. For example, students can study a specific module and then use that knowledge to solve a problem or task that arises in the context of a given topic.

Such a comprehensive approach allows creating a deeper and more stable understanding of the material, and also develops the critical thinking and creative potential of the acquirers.

The analysis of the characteristics of innovative teaching methods showed that the above methods can be effectively used in the educational process individually, but in our opinion, a more effective result can be obtained from the complex and systematic use of some methods, for example, modular training can be combined with problem-based training.

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