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**METHODOLOGICAL SUPPORT OF NATIONAL STATUTE (STANDARD)  
ACCOUNTING IN THE PUBLIC SECTOR OF UKRAINE 121 “FIXED ASSETS”**

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**МЕТОДОЛОГІЧНИЙ СУПРОВІД ЗАСТОСУВАННЯ НП(С)БОДС 121  
«ОСНОВНІ ЗАСОБИ»**

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**МЕТОДОЛОГИЧЕСКОЕ СОПРОВОЖДЕНИЕ ПРИМЕНЕНИЯ НП(С)БУГС 121  
«ОСНОВНЫЕ СРЕДСТВА»**

*The features of business operations with fixed assets according to international standards and national standards in budgetary institutions. The article presents a comparative description of the concept of “fixed assets” of his classification, recognition, measurement and recording and reporting highlights legislative and legal regulation of accounting of fixed assets in budgetary institutions.*

**Key words:** fixed assets, unfinished capital investments in non-current assets, book value, cost, fair value, an active market.

*Розглянуто особливості обліку господарських операцій з основними засобами за міжнародними стандартами та національними стандартами в бюджетних установах. Надана порівняльна характеристика поняття «основні засоби», його класифікації, визнання, оцінка та відображення в обліку та звітності, висвітлено законодавче та нормативно-правове регулювання обліку основних засобів у бюджетних установах.*

**Ключові слова:** основні засоби, незавершені капітальні інвестиції в необоротні матеріальні активи, балансова вартість, первісна вартість, справедлива вартість, активний ринок.

*Рассмотрены особенности учета хозяйственных операций с основными средствами по международным стандартам и национальным стандартам в бюджетных учреждениях. Представлена сравнительная характеристика понятия «основные средства», его классификация, признание, оценка и отражения в учете и отчетности, освещено законодательное и нормативно-правовое регулирование учета основных средств в бюджетных учреждениях.*

**Ключевые слова:** основные средства, незавершенные капитальные инвестиции в необоротные материальные активы, балансовая стоимость, первоначальная стоимость, справедливая стоимость, активный рынок.

**Problem.** Since the 1<sup>st</sup> January, 2015 accounting of fixed assets should be maintained in the public sector of Ukraine for Position Accounting Standards in the public sector of Ukraine 121 “Fixed Assets”. It is confirming that Ukraine's implementation of commitments is reformed the accounting system to the International Financial Reporting Standards [2] and it fits into the strategy of modernization of the accounting system in the public sector from 2007 to 2015, [6] that was approved by the Cabinet of Ministers in the 16<sup>th</sup> of January 2007 № 34

The starting point of changes subjects of conferences and the discussions issue must be the 1<sup>st</sup> January, 2015. Task of the professional accounting community is the development of methodological and methodical support actions change of Position Accounting Standards in the public sector of Ukraine 121 “Fixed Assets”, after adoption the changes of Position Accounting Standards in the public sector of Ukraine 121 “Fixed Assets” and Methodical recommendations of accounting of fixed assets [3; 5].

The purpose of this article is to study the practice of implementing change of Position Accounting Standards in the public sector of Ukraine 121 “Fixed Assets” and substantiation proposals for improving methodology of assessing of fixed assets, income and expenses from their initial recognition.

**Analysis of recent publications.** This problem had only a few attempts to study for recent years. The issue of accounting of fixed assets to national and international standards was reflected in scientific works by Ukrainian scientists M.P. Voynarenko, N.A. Ponamareva, A.V. Zamaziy, V.I. Popovich, N.A. Ponomarev and others.

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Scientists express concern about the lack of clear procedures in the evaluation of fixed assets, who earlier advocated for the fastest implementation in Ukraine to International accounting standards in the public sector 17 [7].

**The essence of the problem.** The main difference accounting Asset between International accounting standards in the public sector 17 and Position Accounting Standards in the public sector 121 is valuation of fixed assets at fair value. It is basis on incomplete capital investments in non-current assets, not by cost price.

**The main material.** Our research show that, no one of CIS countries, introduce the accounting of fixed assets use the International accounting standards in the public sector 17 do not venture on such a radical step as complete rejection of the assessment cost price. In similar national standards of foreign countries was decided to keep the assessment cost price as an alternative assessment. Business is not in inertia of our accountants, or even in expenses of financial and management accounting effective. The problem is not presence of transparent market, access information, and, most importantly, clear method of application evaluation assets at fair value in our reality.

The company arranges assessment of the assets at fair value independently on your own as Position Accounting Standards in the public sector says. We systematize basic approaches to the use of such an assessment that we recommend to accountant in the Table.

Table

*Basic approaches to assessment assets at initial recognition as Position Accounting Standards in the public sector of Ukraine 121 "Fixed Assets" and Methodical recommendations of accounting of fixed assets says*

Ways purchase of fixed assets	The procedure for recognition and assessment in accounting
<i>Valuation of fixed assets at initial recognition in budgetary institutions</i>	
The acquisition for cash	It is cost, which includes: purchase price net of discounts, expenses for payment of value added tax (with no right to a tax credit), transportation costs, installation, assembly adjustment of assets, registration fees, government fees, costs of insurance risks asset delivery, import duties and other charges directly associated with bringing the asset for use, installation costs structured cabling system, configure local settlement network supplies used at the same time
Royalty-free receipt of assets from entities (natural or legal persons who do not belong to the public sector)	It is fair value considering the costs directly related to bringing them to the state in which they are suitable for use with the planned target net of value added tax
Royalty-free receipt of assets entities (entities that belong to the public sector)	It is the original (revalued) cost of the project from the transmitting side. It is the initial price that includes costs that are incurred in obtaining (eg transportation costs and the like). Also, the amount of depreciation accounting. If reliable information about the initial cost means is not present, which value is calculated at fair value on the date being assessed under the law
Self-production of fixed assets	It is cost of its production (manufacturing), which consists of expenses incurred in its production (manufacture) taking into account the costs directly related to bringing them to the state in which they are useable
Receipt of fixed assets in exchange or part exchange for another asset	It is residual value of the assets. If the residual value is zero, the cost of the transferred asset is its fair value at the date of posting
In the absence of an active market in the case of powers of confiscation or donation	It is notional value. Applies to assets of art and science, and ancient folk life and scientific exhibits, historical and technical values that are recorded in the manner prescribed for keeping these values in public institutions
The basic tools such as trophy assets	It is fair value considering the costs directly related to bringing them to the state in which they are suitable for use with the planned target net of value added tax. Total cents are expensed on actual expenditures of budgetary institutions in actual commissioning of the asset

Position Accounting Standards in the public sector 121 does not disclose the evaluation methodology. There is not methods of processing information sources, evaluation methods, that accountant would provide the documents on which the assessment would be conducted of

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an asset. However, fact is obvious for everyone that Asset Accounting is debatable without clear methodology in this regard. Last contradicts the basic principles of accounting and causes it for not comparability.

If you see paragraph 33 of the National Standard 1, “General principles of property valuation and property rights”, approved by the Cabinet on 10.09.2003 № 1440, the assessment of the property to reflect its results in accounting made taking into account that:

- the fair value of the asset is equal to its market value where possible definition of the procedure established by this and other national standards;
- an asset that can be attributed to a specialized property assets of special purpose or special design is its residual value replacement (reproduction).

In our opinion the approaches contained in this National Accounting Standard, should be used evaluators.

Therefore, the evaluation of fixed assets for accounting purposes we consider it necessary to adhere to the Law On the assessment of property, property rights and professional valuation activities and consider the following:

- valuation in cases of mandatory exercise of evaluation of which may be: entities - registered in accordance with legislation that places of business, which include running at least one evaluator and have received a certificate sub'evaluation of the facility; government agencies and local governments that have the power to exercise in the evaluation of the performance of the functions of administration and management of state property and (or) property that is in municipal ownership and which include evaluators work [1; p. 1, 5];

- property evaluation is performed on the basis of an agreement between the subject of evaluation activity - business entity and customer reviews [1; p. 1, 10];

- a document which sets out the conclusions and confirms the value of the property made of assessment procedures of evaluation activity – an entity under the contract is the report on the evaluation of assets, and if the self-assessment exercises of evaluation of the – the authorities or local government – is an act of property valuation to be approved by the head of state authority or local authority [1; p. 1, 3, 12];

- if this evaluation is consistent, approved or accepted by a public authority or local government, the review report on assessment (act of property valuation) are mandatory [1];

- when the valuation of property in cases of mandatory referred to in part 7 of the Law On assessment of property, property rights and professional valuation activities carried entities are not subject assessment activities, it is considered void [1, p. 4, 8].

One of the problems in conducting the independent evaluation, is that we need additional funds. Therefore, we believe that the Finance Ministry would agree that this evaluation committee may hold budget organization or institution will be allowed to decide on the evaluation commission institution subject to consultation with the public sector higher level. Because the evaluation of fixed assets is consistent with it.

Whereas the Ministry of Finance defined procedure for determining the fair value of the property, offer the option of determining fair value of fixed assets obtained free of charge:

- Creation and organization of the permanent commission on assets as the basis of organizational and methodical approaches to evaluation assets at fair value;
- Obtaining reliable and documented information on active markets fixed assets;
- Organizing information and driving accountancy evaluation assets at fair value as order forms and documenting operations evaluation assets as well.

Production assets in the Ukraine represented various sectors. There is an active market and its fair value is possible.

Thus, we identified organizational and methodical approaches to the estimation of fixed assets at initial recognition can be used in practice, but there is a problem of another nature. The recommendations are purely the author's solution to the problem.

The way out of this situation is the development and approval at the Ministry of Finance, guidance on evaluation assets. Without this regulatory document valuation of assets in budgetary institutions for the purposes of accounting and reporting change. Thus, P (S) 121 will act or individual budgetary enterprises will be in a different approach to the evaluation that affect general information on the status and activities of the public sector.

We propose to address the issue of public sector units use higher-level operational experience to bring to each subject state economy fair prices. According to our research, this practice exists in foreign countries.

Another recommendation regarding methodological support application P (S) 121 is eliminating initial depreciation on fixed means. Bold this particular research questions and coverage in this article due to the formation of new approaches to the carrying value of the asset. Whereas all costs related to asset commissioning of the asset are recorded as unfinished capital investments in non-current assets and depreciation at this time is not charged. Enrollment of the asset received of the fixed assets is carried out only after the introduction of the asset into operation. The reason (primary document) to display in the accounting of business operations is the act of commissioning of fixed assets. Shape Act budgetary organization developed independently and is in addition to the Order of accounting policies.

Hence the problems with the straight-line method of depreciation. Since the cost is allocated to the entire set of useful time period of use of fixed assets in equal parts, there is an additional burden with constant control of fixed assets. To solve the problem, as an option, can be due to the introduction of standardized sheets daily use of assets.

**Conclusions and recommendations for further research in this area.** Consequently, public institutions were able to manipulate the size of the book value of fixed assets due to expenses related to the evaluation of fixed assets. Now, this issue may occur when calculating the budget additional expenditures for evaluation of fixed assets.

The solution to the second problem of standardization of accounting and use of P (S) 121, is to develop new Methodical recommendations on accounting of fixed assets when calculating depreciation. The latter will enable more efficient conduct economic activities transparent and form the price of manufactured goods, works and services in budget institutions.

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