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ECONOMIC THEORIES AND
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Tetyana Marenych

Dr.Sc. (in Economics), Professor
Kharkiv Petro Vasylenko National Technical University of Agriculture
Kharkiv, Ukraine

E-mail: oblkua7@gmail.com

Oleksandr Nakisko

PhD (in Economics), Associate Professor
Kharkiv Petro Vasylenko National Technical University of Agriculture
Kharkiv, Ukraine

E-mail: nakisko7@gmail.com

Serhii Rudenko

PhD (in Economics), Associate Professor
Kharkiv Petro Vasylenko National Technical University of Agriculture
Kharkiv, Ukraine

E-mail: svr19862321@ukr.net

INSTITUTIONAL SUPPORT FOR DOCUMENTING THE FACTS OF ECONOMIC ACTIVITY OF SUBJECTS OF ECONOMIC RELATIONS¹

Abstract

One of the important features of accounting is the complete and continuous monitoring of business operations and processes that are carried out at enterprises with the help of primary documents. Documentation is the first stage of the accounting process, therefore the completeness and reliability of the accounting information for users depend on the quality of the primary documents. Updating of the institutional support documentation of the facts of economic activity of enterprises contributes to improving the organization of primary accounting.

The methods used to study documentary accounting records are based on dialectical scientific knowledge, complex analysis and synthesis, which are used to study the essence of the primary document in the historical perspective.

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The results of studies indicate that in recent years the importance of primary documents in the confirmation and evidence of business operations for accounting and tax purposes, as well as in litigation, has increased. Primary documents serve as the sole basis for accounting records. The analysis of normative legal acts showed that the requirements for the compilation of primary documents have been mitigated; the number of mandatory requisites in them is reduced. The reality of business operations by business entities must be independently verified by an appropriate evidence base.

Prospects for further research on the institutional provision of documenting the facts of business activities of enterprises are the development of proposals for the list of mandatory requisites of primary documents, methods and techniques for their compilation.

Keywords. *primary document, obligatory requisites, economic operation, accounting, primary accounting.*

Introduction.

The accounting system, regardless of the industry, specialization, size of the enterprise, qualifications of accounting officers and managers, must ensure the collection and processing of economic information about all business transactions occurring in the enterprise, periodic reporting from it to both managers and non-enterprise stakeholders. A well-organized system for collecting information is essential for the entire enterprise.

The quality of economic information at the exit from the accounting system is conditioned, mainly, by the quality and timeliness of input data from the primary documents that reflect the actual business operations. The collection of initial information about the movement of accounting objects is an integral and important part of the system of processing accounting information.

In order for primary documents to serve as the basis for accounting records and have probative value, they must meet certain requirements, including the establishment of procedures necessary to cover the economic information about every actual business transaction that actually took place. Only a rational organization of primary accounting will provide in the current accounting and reporting qualitative, reliable, timely information based on which makes informed decisions internal and external users of different levels of management.

Analysis of recent research and publications.

The study of issues related to documentary evidence of business activities of the enterprise, document circulation is devoted to the work of many domestic and foreign scientists. A great contribution to the development of this problem was made by F.F. Butinets, T.A. Butinets, S.F. Legenchuk, K.O. Volska, O.V. Vakun, K.V. Bezverkhyi, A.V. Yanchev, Glen A. Welsh, Daniel H. Short, V.G. Shvets [1-7] and others.

Without diminishing the importance of the scientific achievements of leading scientists, we would point out that in the future the study of theoretical and practical aspects of the organization of primary accounting, in particular, the documentary confirmation of the fact of conducting business operations at enterprises, remains relevant.

Purpose.

The study aims at attracting interested persons to increase the importance of primary documents, a critical analysis of recent changes in legal acts on documentary evidence of economic activities, the development of proposals aimed at improving the primary registration of business operations.

Methodology of research.

The methodological basis of the study is a set of methods, techniques and principles of scientific knowledge, the fundamental provisions of economic theory, scientific developments on the issues of documentation, legislative and regulatory acts of Ukraine regarding the documentary provision of records in accounting. General scientific and special methods of economic research are used, in particular, the systematic approach – in studying the connections between phenomena and processes in the accounting system; dialectical and abstract-logical – when conducting theoretical generalizations, forming conclusions.

Results.

An important feature of accounting is the complete and continuous monitoring of all business operations that occur at the enterprise. To ensure such observation, each economic transaction is formalized by an appropriate primary document, in which all its features are recorded.

The significance of the primary document in accounting is difficult to overestimate and in recent years, it has significantly increased. According to the Law of Ukraine "On Accounting and Financial Reporting" No. 996 of 16.07.1999 No. 996-XIV (Law No. 996), the primary document serves as the basis for the accounting of business transactions, and financial, tax, statistical and other types of reporting are based on accounting data [8]. This means that the primary document is the basis not only for financial, but also for other types of reporting, including for tax reporting.

For tax purposes, taxpayers are required to keep records of income, expenses and other indicators related to the definition of tax objects and/or tax liabilities, based on primary documents, accounting registers, financial statements, and other documents. related to the calculation and payment of taxes and fees, which are provided for by law. Taxpayers are prohibited from forming tax reporting, customs declarations based on data not verified by documents (paragraph 44.1 of the Tax Code of Ukraine). The absence of documented business transactions results in distortions in reporting that is subject to fines for the enterprise.

However, starting from 2015, the next changes to the Tax Code of Ukraine for income tax (profit taxpayers are divided into two groups: income from any activity (net of indirect taxes) for the last annual reporting (tax) period up to 20 mln UAH and over 20 mln UAH) increased the accounting status of primary documents, as enterprises with annual income of up to 20 mln UAH determine the financial result before tax according to the accounting data. And enterprises, in which the annual income exceeds 20 mln UAH obliged to adjust the tax object to tax differences. That is, the primary documents drawn up for the confirmation of specific business transactions in accordance with the requirements of accounting law, in turn, serve for enterprises as a basis for the reflection of income and expenses in tax accounting.

Also, the primary document serves as indispensable evidence in considering (including litigation) disputes over the very fact of the implementation of the economic operation and the resulting civil law consequences (for example, the presence or absence of arrears). Moreover, in most cases (if the law does not refer in concrete terms to other methods of proof), the primary document is indispensable evidence (and sometimes the only one) [9]. In addition, it serves as the guarantor of the legitimacy of the activities of the accountant before the management of the enterprise, the controller or law enforcement authorities.

The significance of primary documents lies in the fact that they allow the grouping of business operations in the organization of accounting and conduct an analysis of the economic activities of business entities. Primary documents for a long period retain the true characteristics of each business transaction and expediency of their conduct in the past period. Therefore, primary documents are widely used to control and audit the production and financial activities of enterprises.

Scientists consider documentation an important element of the accounting method [1, 7, 10]. No business transaction can be reflected in the account without its proper execution by the primary document.

The procedure for documentary registration of business operations and requirements for the preparation of documents are regulated by the Tax Code of Ukraine, Law No. 996 and the Regulation on Documentary Provision of Records in Accounting, approved by the order of the Ministry of Finance of Ukraine dated May 24, 1995, No. 88 (Regulation No. 88) [11].

Before the amendments, the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" interpreted the essence of the primary document – a document containing information about a business transaction and confirms its implementation. In accordance with the Regulation No. 88, primary documents are documents created in writing or in electronic form, which record and confirm business transactions, including orders and permissions of the administration (owner) for their execution.

As can be seen, the definition of the primary document in the Regulation No. 88 is much wider: it

refers to the primary documents of the order and permissions of the administration (owner) of the enterprise to conduct business operations. In the notion of Law No.996, orders and permissions of the administration to conduct business operations will not be the primary documents.

Indeed, one must agree that the order of the head of the company only confirms the permission of the employees for the economic transaction and does not record the fact of the operation itself. From the definitions given in the normative documents, it follows that any document has the power of primary documents only in the case of the actual implementation of an economic transaction.

If the actual implementation of a business transaction was not, the relevant documents can not be considered as primary documents for tax accounting, even if all the formal details of such documents provided for by the current legislation. That is, the essential and decisive feature of the primary documents is the fixation of the economic transaction, which caused real changes in the property status of the entity.

In literary sources, the authors give different definitions of the primary (accounting) document. But the essence of this definition in the scientific literature also indicates that the primary document records and confirms the actual implementation of the economic operation.

However, the Law of Ukraine dated November 3, 2016 No. 1724-VIII "On Amending Certain Laws of Ukraine Concerning the Elimination of Administrative Barriers to the Export of Services" [12] introduced amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" concerning the status primary documents and their individual mandatory requisites.

Now, from the definition of the term "primary document" has disappeared important clarification that it confirms the implementation of economic transactions. This, in turn, extends the range of documents that may belong to the primary ones. For example, a sales contract, an invoice for payment of goods may contain required details. In this case, they do not relate to primary documents, if only indicating the intentions of the parties to carry out a particular business transaction.

An important issue is the date of the compilation of primary documents. In particular, before Part 1 of Art. 9 of Law No. 996 contained the phrase: "Primary documents must be drawn up during the conduct of an economic transaction, and if this is not possible – immediately after its completion". There are no such phrases. It can be concluded that it is not a violation if the primary document is not made on the date of the economic transaction. However, in Regulation No. 88 this requirement exists.

That is, Regulation No. 88 allows for the compilation of the primary document after the end of the economic transaction. The Law of Ukraine No. 996 requires that business transactions be reflected in the registries in the reporting period in which they were executed (Part 5, Article 9), and not when the primary document was drawn up. At the same time records in such registers are carried out on the basis of primary documents (clause 1.2 of Regulation No. 88), which must be executed within the established time frame.

Thus, in accounting, the necessary condition is the registration of a business transaction in the reporting period in which it was actually carried out. The absence of a date does not allow reliably attributing a business transaction to a particular reporting period. It should be noted that the date of compilation of the primary document is not the same as the economic transaction date. In our view, there must be no violation of the accounting principles of accrual and compliance of income and expenditure.

In practice, situations arise when there is no primary document at the reporting date, and an economic transaction needs to be reflected because it happened.

If the primary document is not received at the date of preparation of the financial statements and the amount of the economic transaction is not known, then it is reflected in the estimated amount. The estimated amount should be based on actual, accessible and reliable information. The method of determining the amount of the company establishes itself and necessarily prescribes in the order of accounting policy.

In the period when the economic transaction is carried out, it is reflected in the estimated amount on the basis of the self-contained primary document. It may be accounting information, calculation, act. If costs or revenues are not reflected in the period to which they belong, this is considered an error that needs to be corrected when the primary document is received.

Each primary document must provide all the information necessary for the exhaustive characteristics of the business operation. Along with the completeness of the characteristics of an economic operation, an important requirement for documentation is the succinctness of its presentation. The amount and contents of the requisites are determined by the nature of the business transaction and the purpose of the document. Despite the wide variety of details contained in the various documents, each primary document must have some details that are mandatory for most accounting documents.

The mandatory requisites of primary documents are now (Article 2, Article 9 of Law No. 996) are the following: the name of the document (form); date of assembly; the name of the enterprise on whose behalf the document is drawn up; the content and volume of the economic transaction, the unit of measurement of the economic transaction; positions of persons responsible for conducting business operations and the correctness of its execution; personal signature or other data that allows identification of the person who participated in the conduct of the economic transaction [8].

As you can see, the place of assembly is no longer a mandatory requisite of the primary document. At the moment, it's not important where the primary document is drawn up. This is relevant if the parties to the contract exchange documents in electronic form. These changes are approved by experts, especially in case of suspicion of the unrealistic nature of the economic transaction in tax audits, when the auditors attempt to determine if the signatory of the document could be in the place of its compilation on the date specified in the document [13].

In addition, from the mandatory requisites excluded "analogue of a personal signature", and left "personal signature or other data that allows identification of the person who participated in the implementation of the economic transaction". To date, the law does not stipulate what should be understood as "other data that allows identification of a person who participated in the conduct of a business transaction". We believe that the replacement of a "live" signature may be allowed by the applicable legislation alternatives to personal signature in the primary document (facsimile, etc.).

Thus, the list of mandatory requisites for primary documents has been substantially reduced, indicating certain steps of the state in deregulating business, implementing measures to bring the norms of the national accounting legislation in line with the requirements of EU Directive No. 2013/34/EU [14]. It is important that inspection bodies do not make unconditional claims regarding the actual nature of the economic operation itself and its fixation.

Changes aimed at reducing the number of mandatory requisites in primary documents were introduced, in addition to Law No.996, and Regulation No. 88. The last document is brought in accordance with the current legislation. The tendency to decrease the number of mandatory requisites, in general, is positive, but not so promising in practical application. It can play an important role in resolving disputes about the validity of the primary document.

Due to the absence of at least one requisite, the document may not be recognized as the primary document confirming the economic transaction. Those requisites which are no longer obligatory, in particular, the place of drawing up the document, the names of the persons responsible for the implementation and correct execution of the economic transaction, the seal, can be included in the additional.

In addition, there may also be additional details in the primary document such as the identification code of the enterprise, the document number, the basis for the transaction, the data on the document certifying the identity of the recipient, etc. (Clause 2.4 Regulation No. 88) [11].

Consequently, accounting is based on evidence of economic facts. Primary documents must contain complete and accurate information about each business transaction. However, accounting recognizes a series of events that are not business transactions in the exact sense. According to Welsh Glen A. and Short Daniel G., the broad interpretation of operations includes: 1) the exchange of resources (assets) and/or liabilities (liabilities) between the enterprise (the unit of account) and one or more other parties; 2) certain events (or economic events) that do not occur between the enterprise and one or more parties, but directly and significantly affect the accounting unit. Examples of the first category of operations, according to the authors, may be the purchase of machinery and equipment, the sale of

goods, borrowing money and the owner's investment in the enterprise. Examples of the second category of operations are: 1) economic events, such as decreasing the recoverable value of a product that is stored in a commodity stock and an over-consumption; 2) clarifications with time, such as the deterioration of the operating asset (as a result of use) and the "cost" of the insurance policy paid in advance [6]. That is, according to scientists, accounting reflects certain events that have an economic impact on the company.

The existence of a primary document indicates the completeness of an economic transaction or event. Therefore, the primary document is the only way to fix the fact and essence of a business transaction. However, the primary document is a necessary but not always sufficient proof of the reality of a business operation. Any documents have the validity of authentic primary documents only in the case of the actual implementation of an economic transaction.

The presence or absence of separate documents, as well as errors in their design, are not considered to be grounds for concluding the absence of an economic transaction, if from other data it is evident that there is an actual movement of assets or changes in the equity or obligations of the taxpayer in connection with its economic activity. Similarly, the presence of formally composed but incorrect primary documents, the correspondence of which to factual circumstances has been denied by proper evidence, is not considered to be an unconditional confirmation of the reality of a business transaction (Resolution of the Supreme Court of Ukraine dated September 22, 2015 in case No. 21-1526a 15).

Since the economic transaction characterizes the fact of the economic activity of the enterprise, which leads to changes in the size or structure of their own or off-balance business facilities and/or sources of their formation [15]. Therefore, we arrive at the conclusion that the primary document is a document that confirms the implementation of the economic transaction, process, phenomenon or events in the economic activity of the entity at the time of their execution or after completion, or on the last day of the reporting period.

At the same time, no economic operation should and can not be reflected in the system of accounting accounts without the primary document, as well as no economic transaction should be carried out without economic and legal basis.

According to the Regulation No. 88, the primary documents are drawn up on forms of standard and specialized forms, which are approved by the relevant state authority. Documentation of business operations can be carried out using self-produced forms, which must contain required details or details of typical or specialized forms.

Consequently, the enterprise has the right to document business operations using self-made forms, provided that the forms of these forms contain the required details or details of typical or specialized forms. We believe that it is not necessary to strictly follow the details of the standard or specialized forms, except for the mandatory details of the primary document. The development and approval of their own forms of primary documents is a prerequisite for their use.

No less controversial issue – which documents can be considered as full-fledged primary documents by status. The status of the document affects its design and the consequences it generates. If this is the primary document, then: it leads to accounting, tax, civil-law consequences; it is subject to all requirements that are presented by the accounting legislation to the primary documents.

There is uncertainty about the primacy/non-primacy nature of such documents as an invoice, an act of reconciliation of debts, an extract from the bank, a customs declaration, a tax invoice, etc. Specialists of the Ministry of Finance of Ukraine, State Fiscal Service of Ukraine, National Bank of Ukraine, other bodies sometimes have opposing views on this issue. However, recently some documents, which in most cases have not been recognized as primary for a long period of time, become legalized in accounting.

Thus, the Law No. 1724-VIII provided the status of the primary document of the account (invoice). In essence, these documents are very close to invoices. This means that now the invoice and invoice can confirm the economic transaction in case of payment.

From the above example, one can conclude that the dogma is not a list of documents that belong

to or do not belong to the primary. As Chalyi I. notes, the main thing is not in the title of the document, but in what particular facts and legal relations are reflected in it [16].

It is worth noting that the exclusive value of primary documents for accounting and tax purposes, in disputes is not comprehensive. The primary document should not assume the functions assigned to it. For example, elements of a company's accounting policy can not be established by the primary document [9].

To ensure the qualitative compilation of both typical and non-typical primary documents in the enterprise, it is necessary to develop methodological instructions, which will outline the methodology and technique of their compilation.

Conclusions and discussion.

Primary documents play an important and exclusive role in the verification and proof of business transactions for accounting and tax purposes, as well as in litigation. Primary documents, due to the specifics of business operations, should be made during the conduct of an economic transaction, and if this is not possible – immediately after its expiration, or on the date of the last day of the reporting period. To show in the accounting business transaction should be in the reporting period in which it actually occurred, without violating the principle of accrual and compliance of income and expenditure.

Primary documents serve as the sole basis for the accounting of business operations. The date of the drawing up and the date of receipt of the primary document do not determine the period of fixation of the business operation. The main thing is that the date of the economic transaction corresponds to the reporting period to which it belongs. If from other data it is understood that a business transaction actually took place and the primary document was not received at the date of preparation of financial statements, it should be accounted for on the basis of the accounting statement (calculation, act).

The analysis of recent changes introduced into the accounting legislation shows that the requirements for the compilation of primary documents are somewhat mitigated. The range of documents that gives the status of primary, expands, the number of mandatory requisites is reduced, and additional – increases. To protect against accusations of controlling bodies in the unrealistic nature of economic operations, economic entities must independently ensure the variability of the evidence base.

Such evidence can serve not only primary documents, which must be duly executed, but also the reality of the fact of economic activity, the legal basis for the implementation of activities, the availability of resources, land plots, conditions, sufficient number of employees, etc., which are necessary for the conduct of the economic operation and real economic activity.

Prospects for further research on the institutional provision of documenting the facts of business activities of enterprises are the development of proposals for the list of mandatory requisites of primary documents, methods and techniques for their compilation.

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