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Contents

Preface	7
Piotr Bednarek , Evaluating the usefulness of quantitative methods as analytical auditing procedures / Ocena użyteczności metod ilościowych jako audytowych procedur analitycznych	9
Kateryna Berezka, Vadym Masliy , ARCH-building models of time series prediction for investment / Budowa arch-modeli szeregów czasowych do prognozowania inwestycji portfelowych.....	19
Natalia Bielous, Valeria Sopko , Implementation of the results phase of the estimation system of the economic security of enterprises / Wdrożenie wniosków z systemu oceny bezpieczeństwa ekonomicznego przedsiębiorstw	27
Magdalena Chmielowiec-Lewczuk , The impact of the implementation of Solvency II on the financial reporting of insurance companies in Poland / Wpływ wdrożenia projektu Solvency II na sprawozdawczość finansową zakładów ubezpieczeń w Polsce.....	38
Elżbieta Jaworska , Diversity management and reporting in selected companies / Zarządzanie różnorodnością oraz raportowanie informacji o różnorodności w wybranych przedsiębiorstwach.....	48
Ganna Karmeliuk, Svitlana Plaskon , Econometric modeling of the external debt of Ukraine / Ekonometryczne modelowanie długu zewnętrznego Ukrainy	63
Joanna Koczar , Responsibility for accounting of a business entity in Russian accounting law / Odpowiedzialność za rachunkowość podmiotu gospodarczego w rosyjskim prawie bilansowym.....	69
Mykhailo Kuzub , Ways of improvement of accounting of production stocks in agricultural enterprises / Sposoby poprawy księgowego ujęcia zapasów w księgach rachunkowych przedsiębiorstw rolnych	79
Lesya Leshchiiy , Valuation models of Investment Property / Modele oceny nieruchomości inwestycyjnych.....	92
Marek Masztalerz , Why narratives in accounting? / Skąd narracje w rachunkowości?	99
Ruslan Motoryn , Estimation of services in global added value chains / Ocena udziału wartości usług w globalnych łańcuchach wartości dodanej	108
Vasyl Mukoviz, Kateryna Obertas , The impact of accounting policy on formation of the valuation of assets, obligations and company's capital / Wpływ polityki rachunkowości na wartość aktywów, zobowiązań i kapitału własnego	116

Maria Nieplowicz , The use of performance-based budget to measure the efficiency of public transport in metropolises in Poland / Wykorzystanie budżetu zadaniowego do pomiaru efektywności transportu publicznego w polskich metropoliach.....	125
Edward Nowak , Deviation analysis as an instrument of cost control in an organization / Analiza odchyleń jako instrument kontroli kosztów przedsiębiorstwa	140
Marta Nowak , Quantitative assessment of culture and its usage in accounting / Ilościowa ocena kultury i jej zastosowanie w rachunkowości	148
Stepan Popina, Olesia Martyniuk , Some aspects of security portfolio optimization / Wybrane aspekty optymalizacji portfela papierów wartościowych.....	159
Michał Poszwa , Problems of determining the costs in the calculation of tax result / Problemy ustalania kosztów w rachunku wyniku podatkowego....	166
Olga Sharapa , Methodological approaches to determining the level of transaction costs of sales of agricultural enterprises / Metodyczne podejścia do określenia poziomu kosztów transakcyjnych gospodarstw rolnych	174
Alfred Szydelko, Anna Warzybok , Risk associated with research and development projects and its consequences for the financial accounting system / Ryzyko w projektach badawczo-rozwojowych i jego konsekwencje dla rachunkowości finansowej	181
Marcin Wierziński , Performance management in a water and sewerage company / Zarządzanie dokonaniem w przedsiębiorstwie wodociągowo-kanalizacyjnym.....	190

Preface

This book presents the results of Polish-Ukrainian scientific cooperation. It contains the papers prepared for the 10th international conference “Quantitative Methods in Accounting and Finance”. Accounting and finance face nowadays many challenges. They require both an international and local approach, they need to be considered from the theoretical and practical point of view, and they also encourage general and specific analysis.

Support from quantitative methods is needed in order to discover, implement and verify new finance and accounting trends, methods and instruments. The research papers which are part of this book present different aspects of accounting and finance combined with a quantitative, in particular Econometric, approach.

Some of the papers focus on methodology of measurement, estimation and forecasting of financial phenomena, especially those related to investment processes. Others address specific problems of accounting such as accounting solutions for different branches, legal issues of accounting, responsibility and reporting. An alternative approach was also undertaken and the roles of a narrative and culture in accounting were presented.

The variety of papers selected for this issue ensures the complexity of the book. It provides theoretical as well as empirical material which can be used in further research and in business practice, particularly in accounting and finance. We hope that the content of the book provides a starting point for scientific discussion and practical changes.

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**THE IMPACT OF ACCOUNTING POLICY
ON FORMATION OF THE VALUATION OF ASSETS,
OBLIGATIONS AND COMPANY'S CAPITAL**

**WPLYW POLITYKI RACHUNKOWOŚCI NA WARTOŚĆ
AKTYWÓW, ZOBOWIĄZAŃ I KAPITAŁU WŁASNEGO**

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Summary: The management of accounting process in enterprises requires a vast amount of accounting information for internal and external users. In order to ensure the proper and continuous processing of information from the initial stage of observation to the summarized stage – preparation of finance reporting of the company, the accounting policy is used as a method of running of the accounting process. Evaluation is considered as a method to generate information for its users about the material and non-material resources used in the reproduction process. In this case, it is the conversion into money equivalent: assets, obligations and company's capital.

Keywords: accounting management, accounting policy, assets, obligations, information.

Streszczenie: Zarządzanie procesem rachunkowości w przedsiębiorstwie jest związane z dostarczaniem dużej ilości danych i informacji dla wewnętrznych i zewnętrznych użytkowników. ciągły proces przetwarzania i dostarczania informacji jest oparty na raportowaniu finansowym oraz polityce rachunkowości. określanie wartości składników aktywów i pasywów stanowi metodę generowania informacji dla ich użytkowników o materialnych i niematerialnych zasobach wykorzystywanych w procesach produkcji i świadczenia usług. Celem artykułu jest przedstawienie wpływu polityki rachunkowości na wartość aktywów, zobowiązań i kapitału własnego przedsiębiorstwa.

Słowa kluczowe: polityka rachunkowości, aktywa, zobowiązania, raportowanie finansowe.

1. Introduction

In modern conditions without an accounting policy it is impossible to think of the activity of the enterprise's bookkeeping and the process of formation of information data which provide the grounds for making the corresponding decisions.

The main intention of the accounting policy is the proven presentation by means of the evaluation method in accounting of the enterprise's activity and obtaining of information for the users concerned. Accounting policy should be considered as a part of the accounting system that organizes information about the enterprise's business activity and prepares its required volume.

Under the conditions of a mixed economy, the accounting policy is a method that levels out the consequences of frequent changes and a large number of interpretations of certain provisions of the current legislation.

The accounting policy as a component of the accounting methodology is the object of investigation in the work of many scientists. An important contributions have made by the following scientists: M. Bilukha, F. Butynets, S. Holov, L. Kindratsks, H. Kireitsev, Y. Krupka, M. Kuzhelnyi, L. Lovinska, M. Pushkar, V. Sopko, S. Svirko, I. Farion, P. Khomyn, M. Chumachenko, S. Shkarban and others. Particular emphasis onto the analysis of this issue was made by foreign scientists, among them are: M. Van Bred, M. Perer, M. Porter, Y. Sokolov, E. Hendriksen and others.

The issue of the formation of valuation of assets, obligations and capital in an enterprise's accounting policy is insufficiently considered in the scientific literature, so there occurred the necessity to examine the evaluation as an instrument of accounting policy, on which depends the completeness and accuracy of coverage of the enterprise's financial and business activity.

The objective of the article is to develop the concept of evaluation as a part of the bookkeeping method and component of the enterprise's accounting policy, which will help in the formation of a high-quality information system regarding the assets, equity, obligations and other cost factors of the enterprise.

2. Main tasks and functions of the accounting policy in an enterprise

One of the main objectives of accounting policy is to choose the accounting methods that have an impact on the formation of retrospective and prospective information for internal and external use of information that is used for the practical solution of the tasks of production management.

First of all, the accounting policy is associated with accounting management, obtaining information for reporting and providing it to external users. However, the accounting policy is not only a tool of accounting management, but the accounting process in the enterprise should start after its formation. Some of the objectives that accounting policy solves is: evaluation and presentation of assets, obligations, equity, income and expenses of the enterprise by the same methods.

As shown in Table 1, the accounting methods are common for all enterprises but the accounting policy is intended to specify the account in the context of individual objects.

In practice, there are many methods of accounting. Each company should choose the method that provides the most objective picture of the main spheres of its activity [ГОЛОВ 2010].

Elements of accounting policy can be divided into two parts:

- a) mandatory – are disclosed in the notes to the financial statements;
- b) optional – not to be disclosed in the notes to the financial statements.

The accounting policy is a bookkeeping tool which is prepared by the enterprise independently, based on existing regulations. The chief accountant creates the accounting policy for the authorization and control by the company's director or a specially created commission. This work may involve other accounting specialists and specialized firms (auditing, accounting, consulting, legal). Selected instructional techniques, methods and procedures of accounting should not conflict with applicable laws and regulations. The accounting policy of the enterprise should meet the conditions of its activity and should be the only one for the enterprise regardless the number of its divisions, branches or subsidiaries.

Table 1. Interrelation of accounting method and accounting policy

INTERRELATED REPRESENTATION, GENERALIZATION AND MEASUREMENT IN MONEY EQUIVALENT OF FACTS OF ENTERPRISE'S ACTIVITY							
ELEMENTS OF THE ACCOUNTING METHOD							
Primary observation		Cost measurement		Grouping		General Conclusion	
Documenta- tion	Inventory	Evalu- ation	Calcula- tion	Accounts	Double entry	Balance	Repor- ting
ENTERPRISE'S ACCOUNTING POLICY							
PROCEDURE							
Primary observation		Cost measurement		Grouping		General Conclusion	
Forms of primary documents	Inventory	Methods of evaluation of assets and obligations, regulated by the standards	Methods of forming of the income and expenses items	Working chart of accounts, which shows the particularity of the enterprise	Charts of certain facts of economic activity	Contents of balance sheet, methods of evaluation of assets and obligations	Requisites and forms of reports

Source: [Голов 2006, Подолячук 2013].

During the formation of the enterprise's accounting policy, it is necessary to consider such factors as the influence of economic, tax and accounting legislation, inflation rate, investment activity, legal status of the enterprise – proprietary type,

organizational and legal form of business, sphere and type of activity, number of structural subdivisions and their economic interrelations; human resources and material support of bookkeeping service; current and future plans of the enterprise development.

Analyzing the current practice, we could conclude that the particularity of the enterprise's accounting policy, as a phenomenon in general, and the issues of its control is to balance the interests of the two groups of users: the state and the owners. Moreover, the interests of users from these groups can be diametrically opposed. The tax authorities (as the state representative) are interested in receiving information about payment to the budget, which is why the elements of enterprise's accounting policy should primarily meet the requirements of laws and regulations. The owner is interested in the efficiency of capital invested by him/her, obtaining appropriate revenue, profit maximization, and the prevention of loss.

The issue of accounting in the company is the responsibility of the owners or their authorized body in accordance with current legislation and constituent documents.

Therefore, a well-defined chief accounting policy by the owner allows the accounting service to realize the full accounting function and makes it one of the basic tools of asset management, liabilities and equity of the company.

3. Evaluation as an element of the accounting policy and the constituent component of optimization of the enterprise's financial and economic activities

An economic survey of the accounting policy appears in the ability to make an impact on the formation of economic indicators such as assets, obligations, costs, revenues, profits and parameters calculated on their basis – productivity and profitability. In addition, the accounting policy should be effective and optimal. In other words, the entity, based on the chosen methods of calculation, can get the maximum efficiency from its financial-economic activity. The excellence of the accounting policy influences both the quality of the data representation in the financial accounts, and to some extent, the economic activity of the enterprise. The accounting policy can be the basis for the optimization of the financial and business enterprises' activity.

The quality of the data presentation in the financial accounts, and to some extent the economic activity of the enterprise, depends on the efficiency of the accounting policy. The accounting policy can be the basis for the optimization of financial and business enterprises criterion which is an alternative valuation in accounting permitted by law. Therefore, special attention in the formation of the company's accounting policies should be given to the choice of methodological components of accounting policies.

While selecting the particular element of formation of accounting policy, the enterprise should evaluate its impact on assets indices, equity and obligations, as well as other cost factors of financial reporting; determine whether the change in the analytical indices is agreed with the general concept of enterprise development; to determine the correspondence of the users response to the tactical goals of the

company. It should be noted that the selection process is complicated by the inability to evaluate accurately the users' response to the changes of analytic indices of the financial state of the enterprise, their comparison with the degree of impact on taxes and other economic factors. The same element can positively affect one group of indices and negatively on the other. The application of different methods of accrual of depreciation (decrease of remaining value) at different stages of assets operation, whose value is depreciated, has a different impact on the tax level, besides it allows to some extent to influence dividend policy.

Using the FIFO method for the evaluation of inventories at their disposal in terms of inflation increases the profit tax, increases the financial result and profitability in the reporting period, but reduces their future amount, increases the characteristics of financial independence, but reduces turnover rates.

By changing the expenses rate of the reporting period by selecting the method of depreciation, it is possible to foresee the amount of retained earnings of the reporting period, which is the object of approval of property interests of the company owners.

Refusal to conduct a revaluation of fixed assets in the reporting period or their mark-down reduces the indices of financial independency which may negatively influence the relationships with the capital owners and partners and as a final result, will have negative financial consequences.

The rate of expenses of the reporting period and cost of assets are in an inverse negative relation to the method of calculating the prime cost - full or reduced. In cases of work in progress, the choice of the first option increases the assets value, indices of current liquidity, concentration of capital, the sustainability of economic growth and profitability. The choice of the second option causes an increase in turnover, redistributes the financial results between the reporting and future periods toward the latter.

Accordingly, it is important when evaluating the assets, obligations and equity of the enterprise to adhere to such elements of methods of accounting policy as:

- fixing the minimal cost mark for fixed assets of low value;
- choice of method accrual of depreciation of fixed assets;
- determination of periods of fixed assets usage;
- choice of evaluation method of disposal of stocks (weighted average cost, FIFO, regulatory expenses, selling cost);
- procedure of stock-building for future expenses and payments;
- building up reserves on debit indebtedness;
- determination of the accounting method and distribution of general production costs as well as other costs for distribution;
- choice of the system, method and mean of calculation;
- procedure and terms of withdrawal of incomes and expenses of the future periods;
- procedure of evaluation of the production in progress;
- procedure of setting a limit fund approved by the internal order on the enterprise;
- choice of base for distribution (direct costs, hours of work, salary, land area, etc.) of general expenses of production, as well as the order of distribution;

- list of administrative expenses, cost of sales and other expenses of operating activity on the assumption of specific conditions of enterprise's activity;
- main approaches of management of income accounting and financial results (list and scope of operating profit, extraordinary income and others) etc.

According to IAS 1, «selecting and applying appropriate accounting policies should be guided by the principles of prudence, substance over form and materiality» [Міжнародний стандарт бухгалтерського обліку 1... , p. 65].

Despite the confidentiality of management information concerning the evaluation of expenses for production and revenue from the sale, still the regulatory framework has a significant impact on information. Evaluation in the formation of accounting policy is one of the components in the system of accounting regulation in the company as a whole. There are two factors under which the company needs to formulate it:

- legislation provides several options, in this case the enterprise chooses one of them;
- legal regulation is not developed, in this case the enterprise develops its own ways of the accounting records' maintenance.

When forming the accounting policy on production and sale of production, the choice of one of several variants is chosen. However, all business activities, evaluation and methods of their accounting presentation may not be clearly regulated. In such circumstances there is the possibility of assumption to interpret the essence of business activity and its presentation in the account as provided in P.10 of IAS 8 «Accounting Policies, Changes in Accounting Evaluation and Errors», namely: in cases of absence of standard or interpretation, which specifically is applicable to the activity, the executive staff should use reasoning in developing and applying of accounting policy that results in information that is: relevant to the needs of users in making economic decisions; consistent in the sense that the financial statements represent the real financial status, financial results and cash flows of the entity, the economic sense of activity, other activity and conditions, but not merely the legal form [Міжнародний стандарт бухгалтерського обліку 8...].

Specialists' assumptions in accounting should be based on conceptual approaches defined by the national standards and IFRS for similar accounting activity. According to p. 12 IAS 8, they should also consider «professional literature on accounting and accepted industry practices to the extent that they are compatible with the standards and interpretations.»

The issue of definition of accounting policy is important in the transition to mandatory reporting by the certain number of entities according to IFRS. Formation of accounting policy is a selection of the conceptual framework on which to base the accounting will be realized and financial reporting indices will be formed.

In other words, the accounting policy provides that the enterprise, before the beginning of the reporting period, selects within the stipulated standards or other regulations, the methods, techniques, evaluation methods, accounting organization forms, etc., which it uses for the maintenance of current accounting and financial reporting. This makes it possible not only to provide their credentials, but also use

Table 2. Groups of accounting controls

No.	Accounting controls	Document contents	Sphere of application	Choice of regulations from the acts of standard in enterprise's accounting policy
1	2	3	4	5
I GROUP. ASSETS EVALUATION				
	Regulation 7 "Capital assets"	Define the methodological principles of formation in accounting of information on capital assets and other non-current assets, inventories, debit indebtedness, biological assets, investment property.	All enterprises (except state-financed organization)	Capital assets accrual method; Depreciation method; Intangible assets accrual method The method of calculation of fixed assets;
	Regulation 8 "Intangible assets"			
	Regulation 9 "Inventory"			
	Regulation 10 "Debit indebtedness"			
	Regulation "Biological asset"			
	Regulation "Investment property"			
II GROUP. EVALUATION OF OBLIGATIONS				
	Regulations (standard) of accounting 11 «Obligations»	Defines the methodological principles of formation in accounting of information on obligations and its disclosure in the financial statements.	All enterprises (except state-financed organization)	
	Provision (standard) of accounting 26 "Payments for workers"			
III GROUP. INCOME , EXPENSES				
	Regulations (standard) of accounting 15 «Income»	Defines the methodological principles of formation of accounting information on income and expenses	All enterprises (except state-financed organization)	
	Provision (standard) of accounting 16 «Expenses»			
	Regulations (standard) of accounting 31 «Financial expenses»			

them to represent the financial results to control the relevant processes and manage relevant information from year to year.

So, for agricultural companies, product evaluations is an important sector of accounting policy formation. Here also appear issues concerning the evaluation of both the main and by-products. In Regulation 30 «Biological assets», it is proposed to evaluate agricultural products at their initial recognition at fair value, reduced by the expected costs at the place of sale, or at the production cost in accordance with Regulations 16 «Expenses». That is why it is reasonable in the order of accounting policy to define the method of production evaluation. If we consider the example of agricultural products it is reasonable to select the evaluation method for the production cost, as this figure represents the costs incurred for its production. This evaluation method, as opposed to fair value, is historically conditioned and proven by practical use for many years. Since the defining of fair value is a quite controversial process and often such evaluation, because of the economic instability and cyclical nature of economic development, may not represent the real status at the certain date. The full cost is also counted in the system of management accounting.

Simultaneously, there is the evaluation of by-products and the distribution of costs between the main and the by-products. Enterprises should choose methods of costs distribution according to specific production or product. We propose in the order on accounting policy to provide cost-sharing between the main and by-products depending on the technology and application of products.

The impact of accounting policy on formation of the assets valuation, obligations and capital of the enterprise covers both the tangible characteristics of the entity (ownership, type of activity), and some indicators of economic activity (average quantity of employees, profitability of products, etc.). It can be concluded that in the formation of accounting policy one should take into account the totality of the characteristics of the enterprise as a business entity.

Accounting policy at the enterprise level is created considering all the features of a separate business entity, specific to each company. We consider it appropriate to divide into certain groups, according to the impact of evaluation on the formation of accounting policy which is the most notable:

- I group – assets evaluation,
- II group – evaluation of obligations,
- III group – income, expenses.

Grouping of accounting controls provided in Table 2.

4. Conclusions

The accounting policy is an important element in the formation of the basic rules, techniques and methods of accounting records maintenance. Accounting policy of the company can be executed as one of the organizational and administrative

documents: regulations, order or decree. In order to prepare the accounting policy of large enterprises and their structural units it is recommended to develop a regulation on the accounting policy, where there should be established the basic rules of organizational activity. It is useful to issue an order on the accounting policy taking into account the particularity of the activity and needs of management. For the documenting of accounting policy of small companies we will apply the instruction on accounting policy of the enterprise, as it concerns a small group of officials and is almost never used for the approval of other company documents.

The choice of alternative evaluation of the formation of information about assets, obligations, equity, income, expenses, etc. should find its place in the paragraph of regulation, order or decree regarding the method of accounting at the company, as well as meet the regulatory framework of the applicable law.

It is recognized as reasonable to model the future results of activity based on past events and accounting methods in the provisions of the accounting policy. Simulation of selecting of accounting policy is based on the use of accounting data, statistical research, marketing information and others.

The necessity arises to fix on legislative level the application of accounting policy by developing the relevant regulation (standard) of accounting «Accounting policy of the company.» The accounting policies of the enterprise should include the whole system of accounting, finance, management, taxation.

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