

**ASSESSMENT OF CURRENT LIABILITIES OF ENTERPRISES
IN THE MODERN ECONOMIC CONDITIONS****ОЦЕНКА ТЕКУЩИХ ОБЯЗАТЕЛЬСТВ ПРЕДПРИЯТИЙ
В СОВРЕМЕННЫХ УСЛОВИЯХ ХОЗЯЙСТВОВАНИЯ**

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Abstract. The article analyzes, how the accounting assessment of current liabilities of enterprises is carried out, taking into account various types of current value. It was found, that international financial reporting standards and Ukrainian accounting standards do not provide clear instructions on the value, at which accounting objects should be valued when recognized and reflected in the financial report. This has a negative impact on the quality of enterprise reporting and requires the development of methods, that would clarify the application of various types of liability assessment depending on the purpose of the assessment. It is proven, that the choice of the type of assessment of obligations should depend on the terms of their implementation and the results of business negotiations. Recommendations are provided regarding the correct implementation of the accounting assessment of current liabilities and the disclosure of information about them in financial statements.

Keywords: current liabilities; accounting assessment; discounting; fair value

JEL Classification: M41

Introduction

The functioning of enterprises in the current environment leads to the transformation of approaches to the quality of accounting information, which is necessary for making certain management decisions. Such transformation will lead to the need for certain changes in the accounting system and disclosure of information on liabilities in the financial statements. The process of managing the financial and economic activities of an enterprise is inevitably associated with valuation. The problem of valuation of current liabilities is becoming increasingly important in connection with the financial crisis and the growing problem of non-payments.

Basic Content of the Paper

The study of general issues of valuation of liabilities was paid attention to by such domestic scientists and researchers as M. I. Bondar, S. F. Holov, I. V. Zhigley, I. V. Zamula, S. Y. Korol, M. D. Korinko, L. G. Lovinska, N. M. Maliuga, M. S. Pushkar, I. V. Suprunova, M. M. Shygun, I. Y. Yaremko and others. At the beginning of the twentieth century, I. F. Sherr noted, that the problem of valuation is one of the most important and complex problems of the entire balance sheet business [1, p. 474]. A review of specialized literature confirms, that scholars continue to interpret valuation as a component of the accounting method. At the same time, the main emphasis is placed on the fact that valuation is an expression in monetary terms of the property of an enterprise in order to summarize data in accounting and reporting (Table 1).

Table 1. The concept of «evaluation» according to scientists

Author	Definition of the concept
Kuzhelny M.V.	valuation is not only a component of accounting, but also an effective control function of the financial condition оцінка [2]
Lovinska L.G.	valuation is a component of the accounting method, which is used to measure the value of accounting objects, create qualitative characteristics of accounting and economic information and provide information support for the analysis of the financial condition of the enterprise and the effectiveness of its management [3]
Maliuga N.M.	evaluation is the process of realizing the positive or negative significance of any economic phenomena, labor results, forms of production and labor activity, material actions, and achievements of management for the satisfaction of human needs, interests, and goals of the subject [4]
Puskhar M. S.	valuation in accounting is necessary for the transformation of facts expressed in natural indicators, into a single monetary measure, which ensures that information about heterogeneous objects is brought into comparable form and content [5]

Source: compiled by the author on the basis of sources [2-5]

The purpose of the study is to solve the problem of assessing current liabilities at the current stage of accounting development in the light of the application of international financial reporting standards in Ukraine.

The regulatory framework for accounting in Ukraine regarding the valuation of accounting items at their recognition and reflection in the balance sheet in general comply with international financial reporting standards and international accounting standards. This is due to the fact that the national regulations were developed on the basis of IAS, so they reflect the peculiarities of the modern international accounting and financial reporting system. The issue of valuation is one of these features. However, both IAS and Ukrainian accounting regulations (standards) do not clearly define the valuation at which accounting items should be measured for recognition and reporting in the balance sheet. As for the IAS, this cannot be considered a disadvantage, since they are a generalization of international practice and cover only the conceptual principles of accounting and are of a recommendatory nature. As for the Ukrainian accounting regulations (standards), it is worth to indicate, that the valuation of accounting items should be more specific to prevent inaccuracies in reporting. It is impossible to study and classify the approaches to the valuation of liabilities used in accounting according to the national regulatory framework, since there is no separate document similar to the Conceptual Framework for Preparation and Presentation of Financial Statements, that would cover general approaches to the valuation of accounting items. Therefore, let us turn to the valuation of liabilities in accordance with the Conceptual Framework. Figure 1 shows the classification of liabilities measurement in accordance with §100 of the Conceptual Framework.

The concept of «valuation» in the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» and Ukrainian accounting regulations (standards) is used to explain the accounting principles, the nature of assets, liabilities, income and expenses. The measurement of current liabilities is based on 3 accounting principles: going concern, prudence, and historical (actual) cost. Based on the going concern basis, the company's liabilities are measured on the assumption that the company will continue in operation. On the basis of the historical (actual) cost principle, an entity's resources are valued based on the costs of their production and acquisition. The most important principle is the prudence principle, which involves the use of valuation methods that prevent understatement of recognized liabilities [6].

Ukrainian accounting standard 11 «Liabilities» contains a subsection «Recognition and Measurement of Liabilities», but there is no information on the types of liability measurement, when they are applied, or the criteria for recognizing liabilities. It is only stated, that current liabilities are reflected in the balance sheet of the enterprise at the repayment amount, i.e., the undiscounted amount of cash or cash equivalents, that will be paid to settle the liability in the ordinary course of the enterprise's activities, but not all current liabilities can be applied to this statement [7].

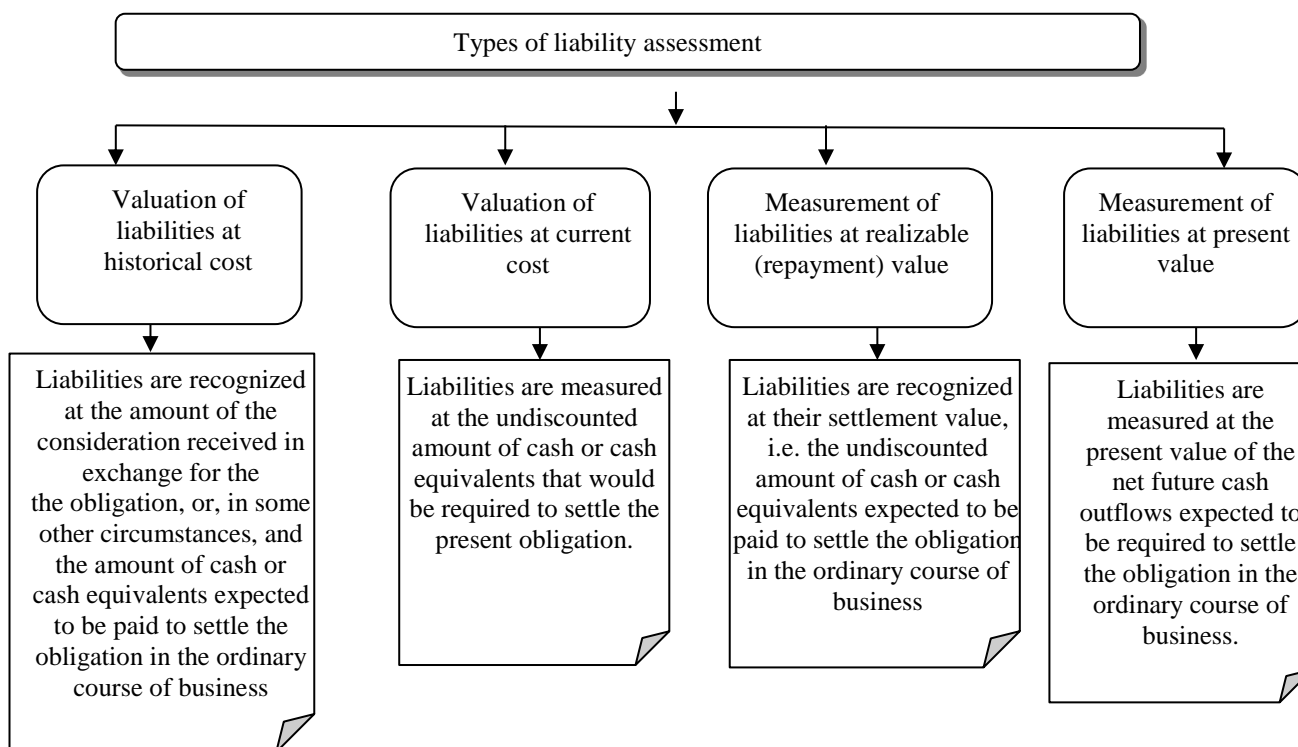


Fig.1. Classification of types of liability measurement in accordance with the Conceptual Framework

Source: compiled by the author

When considering the recognition of liabilities, it should be noted, that national standards consider liabilities, while international standards consider collateral.

According to Ukrainian accounting standard 11 «Liabilities» [7], a liability is recognized if its measurement can be reliably determined and it is probable, that an outflow of economic benefits will be required to settle the obligation. If, at the balance sheet date, a previously recognized liability is not subject to repayment, its amount is included in the income of the reporting period.

According to IAS 37, a provision should be recognized if:

- 1) the entity has a present obligation (legal or constructive) as a result of a past event;
- 2) it is probable, that an outflow of resources embodying economic benefits will be required to settle the obligation;
- 3) the amount of the debt can be measured reliably [8].

In international practice, the procedure for determining and recognizing short-term liabilities is determined in accordance with IAS 1 «Presentation of Financial Statements», IAS 37 «Provisions, Contingent Liabilities and Contingent Assets», and in domestic practice in accordance with to Ukrainian accounting standard 11 «Liabilities». With regard to the issue of writing off debt from the balance sheet, both Ukrainian accounting standards and IFRS determine the moment of write-off in the same way: when the obligation is repaid, canceled or expired.

IFRS interpret the valuation of objects (elements of financial statements) as the process of calculating the cash flows at which the objects of accounting are recognized and entered in the company's statements. The IFRS recommendations on these issues are reduced to 4 valuation methods:

1. Valuation at recoverable amount
2. Valuation at acquisition cost (actual)
3. Valuation at discounted cost
4. Valuation at possible redemption (sale) price.

In real life, the most common valuation method is the actual or real value. Combinations of these methods are possible. When using the first method of measurement (at recoverable amount), liabilities are reported at the undiscounted amount that could be required to settle the obligation. Therefore, this method does not discount cash amounts. When applying the acquisition cost method, liabilities are recognized at the amount of proceeds for the debt obligation, or, in particular, at the amounts expected to be paid in accordance with the procedure determined in business negotiations. When applying the third method of measurement, liabilities are shown at the value of the future cash outflow (net) that will be required to settle the liabilities. The value is discounted.

Discounting has become one of the hottest topics over the past year. Such a keen interest was caused by the massive transition of large Ukrainian companies to International Financial Reporting Standards and the need to report under IFRS for 2019, as well as the adoption of amendments to the Ukrainian Accounting Standards. This issue has also been made more urgent by the tax authorities, which have recently been massively accruing additional income tax liabilities due to discounting [9]. It is worth to indicate, that international practice has developed this valuation quite comprehensively, which confirms its advantages, but at the same time there are difficulties in understanding it, namely, determining the fair value using the present (discounted) value method. Detailed discounting rules are set out in IFRS 13 «Fair Value Measurement» [10]. Although these rules relate directly to fair value measurements, they can be taken into account, from a methodological point of view, for valuations of items outside the scope of this Standard.

In the theory of financial management, discounting is the process of bringing future cash flows to the present value. The main two factors, that affect the discounted value are future cash flows and the discount factor. From an accounting perspective, this is a classic accounting estimate that requires the use of judgment.

Despite the amendments to the Ukrainian accounting standards introduced in October 2019, the issue of the discounting procedure under the Ukrainian accounting standards is still somewhat controversial. IFRS provides for clearer rules and requirements [9].

IFRS requires, that financial instruments be measured initially at fair value plus (in the case of a financial asset not at fair value through profit or loss) or minus (in the case of a financial liability not at fair value through profit or loss) transaction costs, that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Fair value will normally be equal to the transaction price, i.e. the fair value of the consideration given or received. For example, the fair value of non-interest bearing financial instruments may be estimated at the present value of future cash flows of the specific financial instrument discounted at the prevailing market rate (similar in terms of currency, maturity, interest rate type and other factors) for financial instruments with similar credit ratings.

The difference between the fair value and transaction price is recognized in profit or loss unless the transaction does not result in a separate asset or liability or additional equity (to the extent that there are other transactions between the parties that offset the discrepancy between the fair value and transaction price or transactions between companies in the same group).

Current receivables are measured at initial recognition at the transaction price, unless the transaction price includes a significant financing component (a significant deferral of payment or advance payment), in which case the present value is calculated. At the same time, IFRS permits not to allocate a significant financing component if the entity expects that the period between the time when the entity transfers the promised goods or services to the customer and the time, when the customer pays for such goods or services will not exceed 1 year.

According to the Ukrainian accounting standards the need for discounting at initial recognition of liabilities is indirectly regulated by Ukrainian accounting standard 11. A formal reading of the previous version of the National standards could lead to the conclusion, that only interest-bearing debt was subject to discounting. Moreover, the provisions on discounting were quite clearly defined

exclusively for long-term financial liabilities. At the same time, the question of how to account for the difference between the actual cost at initial recognition and the present value at the balance sheet date remains open.

In general, among the important changes to the Ukrainian accounting standards it is worth to indicate the clarification of the application of discounting provisions for any long-term payables and receivables.

At the same time, the period from which the updated standards should be applied, i.e. whether such changes should be considered a change in accounting policy, which involves retrospective restatement, or a change in accounting estimates, which is applied prospectively. According to the position of the Ministry of Finance, which, in our opinion, should have been defined in the transitional provisions, the amendments to the Ukrainian accounting standards should still be considered a change in accounting estimates, although the issues of liabilities existing at the date of the amendments are still open [9].

Given the need to apply the discounting rules, to a greater or lesser extent, to both IFRS and Ukrainian accounting standards entities, we recommend that all current and potential transactions be analyzed in detail for the need for discounting, and that documentation be developed to support the application of any accounting estimates.

Conclusions

Having studied the issues of current liabilities valuation and their reflection in accounting and reporting, the following conclusions can be drawn that need to be developed:

- recommendations on accounting for current liabilities in terms of their valuation;
- a methodology for calculating the value of current liabilities by their type in order to more accurately reflect current liabilities in the financial statements.

These issues may become the basis for further research in this area.

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