INTRODUCTION DIRECTIONS OF INTERNATIONAL ACCOUNTING AND MANAGEMENT PRACTICES INTO DOMESTIC EXPERIENCE OF ACCOUNTING AND ANALYSIS

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Abstract. The review of logistics priorities of the current assets' flow management has been done. The prior directions of the current assets' management have been determined. The algorithm of the quality control has been offered for the control purpose of material supplies' quality. The algorithm of control over the liquidity of the residue stocks at the warehouse has been offered too.

Keywords: international accounting practices, management, analysis, quality control algorithm, liquidity reserves.

Introduction

Accounting for the inventory provides information on the formation of (1) the status and availability of stocks in the company, and (2) the volume of funds invested in stocks, the cost of storage and replenishment. The enterprises should pay more attention to minimization of the inventory levels. The most modern and progressive system of the inventory management for domestic enterprises is the "just in time" system. For the purposes of control over the quality of the supplied material it is advisable to offer the quality control algorithm and the algorithm of the efficient avoidance of the illiquid residue stocks in such a system.

The permanent inventory accounting system is being used in national accounting practice

It is based on the fact, that all changes in stocks are being evaluated continually and on an ingoing basis. A system of the periodic accounting of inventories is widely used abroad. It means that the physical counting of residual groups of materials in inventories is carried out through the certain periods of time (for instance, once a month). While using the periodic system, the initial balance amount of stock accounts and revenue for the period is to be calculated. After that, the final balance is being determined by using the procedures of the inventory. The difference between these figures is the value of the spent material (Fig. 1).

While using the constant accounting system, there is a possibility to determine the consumption cost of materials without the inventory. The final balance is defined as the

difference between the total value of the initial residue of materials and revenues for the period and amount of spending on materials (Fig. 2).
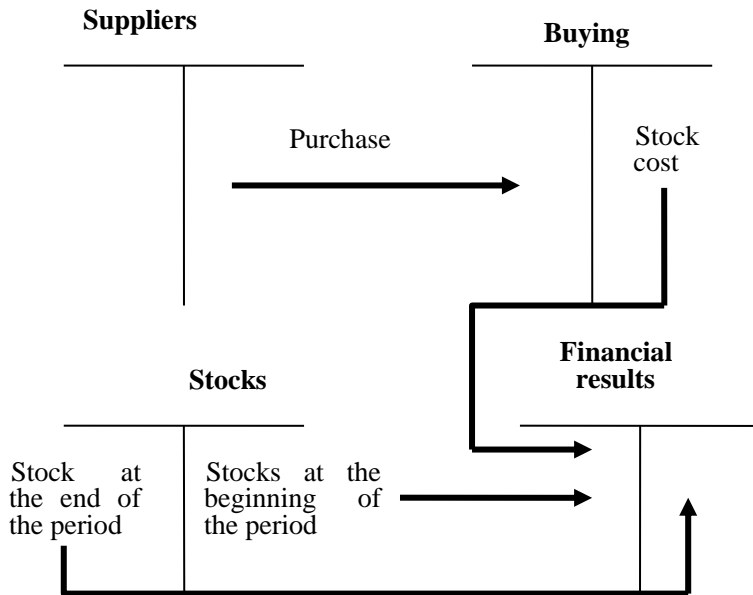

Fig. 1.Value Determination of the spent material in conditions of the periodic accounting system (Needles, Anderson, Caldwell, 1994)
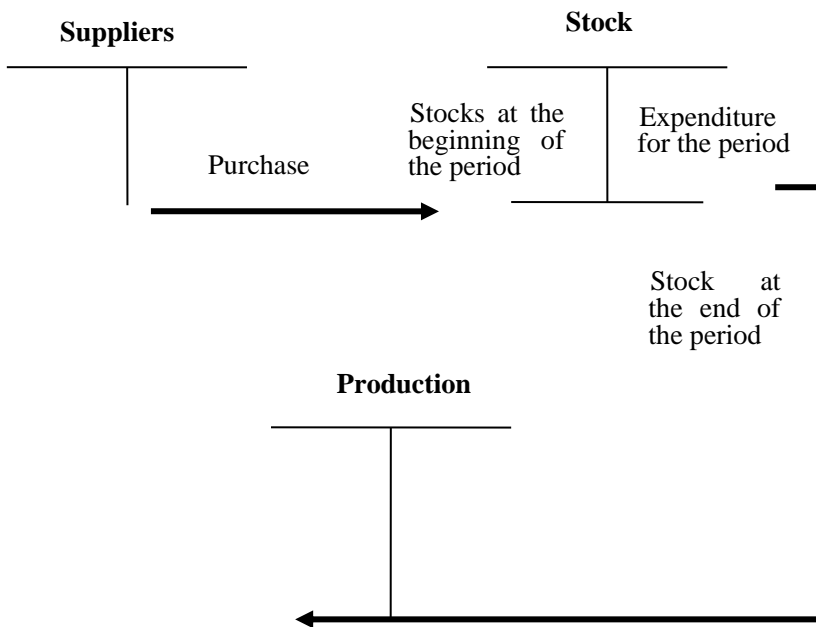

Fig. 2. Value determination of the spent material in conditions of the permanent accounting system (Needles, Anderson, Caldwell, 1994)

The final balance and the cost of the wasted materials depend on the method of the assessment, so at different systems of accounting and methods of the materials' debit these indexes can be different. This is more likely when the cost per one unit of materials changes during the accounting period.

To realize the usage possibility of the periodic system at the domestic enterprises, it is necessary to involve the special accounts: 905 " Expenses for procurement", 706 "Change of inventory balances."

The account 905 "Expenses for procurement" is necessary for the accumulation of data on the amount of purchases. At the same time, all purchases are debited to the decrease in income. So every time after the end of the reporting period, an inventory of the residue is conducted. On its results, the method of the stock loss determination is based. In its turn, the account 706- "Change of inventory balances" - will be temporary.

An important problem of the accounting system for the inventories is the possibilities' determination of the restocking cost reduction that appears due to the continuous searching for the solutions of two main tasks: determining of the required reserves' amount (reserve standards) and creating a system of the stock actual volume and its timely completion according to the established standards. Thus, the purpose of the effective inventory management is to minimize the costs on the movement of the material flow in the logistics system.

The main element of the "just in time" method is a YIT-purchase or "just in time" purchase. YIT- purchase involves the use of stocks immediately after the delivery.

YIT-purchasing implementation lies in entering into the contracts with the suppliers that provide the delivery of small parties of reserves to the company, in the exactly scheduled time. Thus, the only supplier is selected for each component, so the number of the suppliers is reduced.

The deliveries of materials become more frequent, and the number of materials reduces, so much attention is paid to the quality of the received submissions and to the opportunities to meet the needs of production due to these materials.

The reduction of stocks, in its turn, causes the cost savings on the storage of stocks, savings of production space. On the other hand, a large amount of orders involves the reduction of the clerical work, because it is easier to issue a long-term general order of the multiple providers than an individual purchase order.

The advantage of the "just in time" method lies in the possibility of the cost reduction of stockpiling due to the reduced capital expenditures on the maintenance of storage facilities; ensuring the consistent quality of the supplied materials , establishment of the long-term direct relations with the suppliers; reduction of the inventories quantity, which means less capital investment in the inventory; increase of the orders reliability which contributes, significantly reducing the need in the contingency reserve; the ability to respond quickly to the changing market conditions; the risk reduction of stocks depreciation; the reduction of materials cost by improving the quality of the purchased materials.

There is a possibility for the effective inventory management at the multi-production enterprises using the "just in time" method, but it is necessary to take into account some specific features. The "just in time" method is appropriate to be used in management of those stocks, which belong to groups A and B and are essential in determining of the optimal inventory volume and costs of purchasing and storage. Such production companies cannot completely abandon the creation of a reserve stock, due to the increased risk of disruptions in production because of the undersupply, which is unacceptable.

The required size of the stocks' reserve residue in categories A and B is to be calculated not on the basis of the evaluation, as it's done nowadays, but on the analysis of the situation with the delivery of each specific material. The reserve residue of the reserve categories A and B, to which the greatest attention of the logistics department is being paid, is to be calculated for each material and including the number of days during which each supplier has executed the order (plus one day to determine the causes of delay or poor delivery and taking of a new order).

Among the logistics priorities of the circulating assets' flow management, the following ones are mentioned: reliability of supply, quality of the supplied materials, minimization of purchasing costs, optimization of inventory levels, minimization of transportation costs, minimization of supply terms, etc. Thus, the priority area of the circulating assets management is the effective functioning of the supply reliability system and the quality of the supplied materials. Significant differences between the actual quality parameters of the materials that come from suppliers, and the indicated in the accompanying documents ones, determine the origin of not only direct losses of the companies that pay for the stocks of low quality at the price of the stocks of high quality, but often also of irreversible shortage of the finished products. Thus, despite of the significant expenses, it is necessary to conduct the laboratory tests in order to determine the quality of materials.

The basic algorithms of the material resources' analysis are the following ones:

- An analysis algorithm of productive resources;

- An algorithm for monitoring the portfolio of contracts for the supply of material resources;

- A control algorithm over the use of material resources.

However, when using the "just in time" method, a factor of supply has a great importance to the production program and execution of customer orders, because the number of suppliers has reduced, and the uniformity of production depends on the disruptions in the supply.

For the purposes of control over the quality of material supply, an algorithm of control over the quality has been proposed (as shown in Fig. 3).

The algorithm provides the opportunity to check the quality in two ways: of the documents and of the physical state of the stocks. According to the documents, it is necessary to compare the actual suitability of materials, variety, brand, content substances with the data of the documents, accompanying this agreement.

It's like identifying the errors, associated with the adoption of the order and its execution. Such verification is carried out in the Department of Logistics.

Checking of the physical condition is conducted in the warehouse by comparing the data of the accompanying documents with data of the actual availability of the submitted materials.

The data sources for the comparison are the contracts for the supply and primary documents (invoices, consignment notes, certificates of acceptance, profitable orders and others).The quality control of materials entering the company is also carried out, according to the documents, accompanying the consignment notes (certificates, specifications, certificates in which the specified quality characteristics of the materials are determined).

The algorithm provides the research of material supplies quality from the internal and external sources of supply. The 2% - limit on the supplied materials that does not meet the agreement requirements, means the lack of quality up to 2% (cannot influence much the course of production), lack of quality more than 2% (needs the prompt regulation).
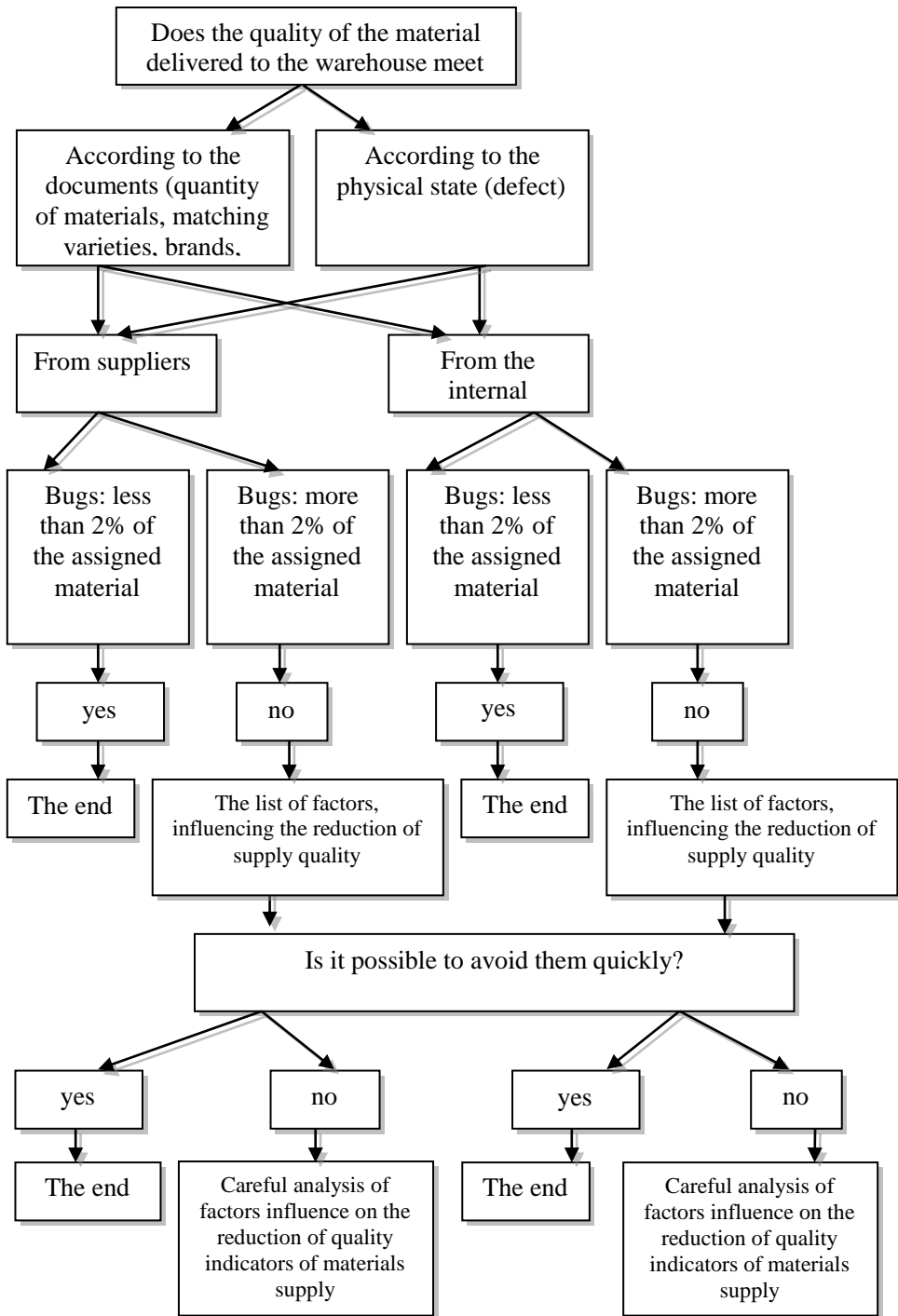
Fig. 3. The control algorithm over the quality of the supplied materials
(developed by authors)

Moreover, it is assumed that if the infringement is up by more than 2% of the supplied materials' value, than the list of reasons, affecting the decline in the quality of supplies should be provided (inadequate transportation, shortage, defect, etc.).

If the effect of factors cannot be just neutralized, the procedures of the factor analysis are assumed, during which the impact of certain factors on the quality indicators of the materials supply reduction has been studied.

On the basis of this analysis the quality of supply management policy has been developed by managers.

It has been suggested to conduct an efficiency assessment of the illiquid residue stocks' avoidance on the analysis of the illiquid residue stocks' proportion as a part of the inventory total cost in the warehouse (Figure 4). A materiality limit of 1% - proportion of the illiquid residue stocks has been established.
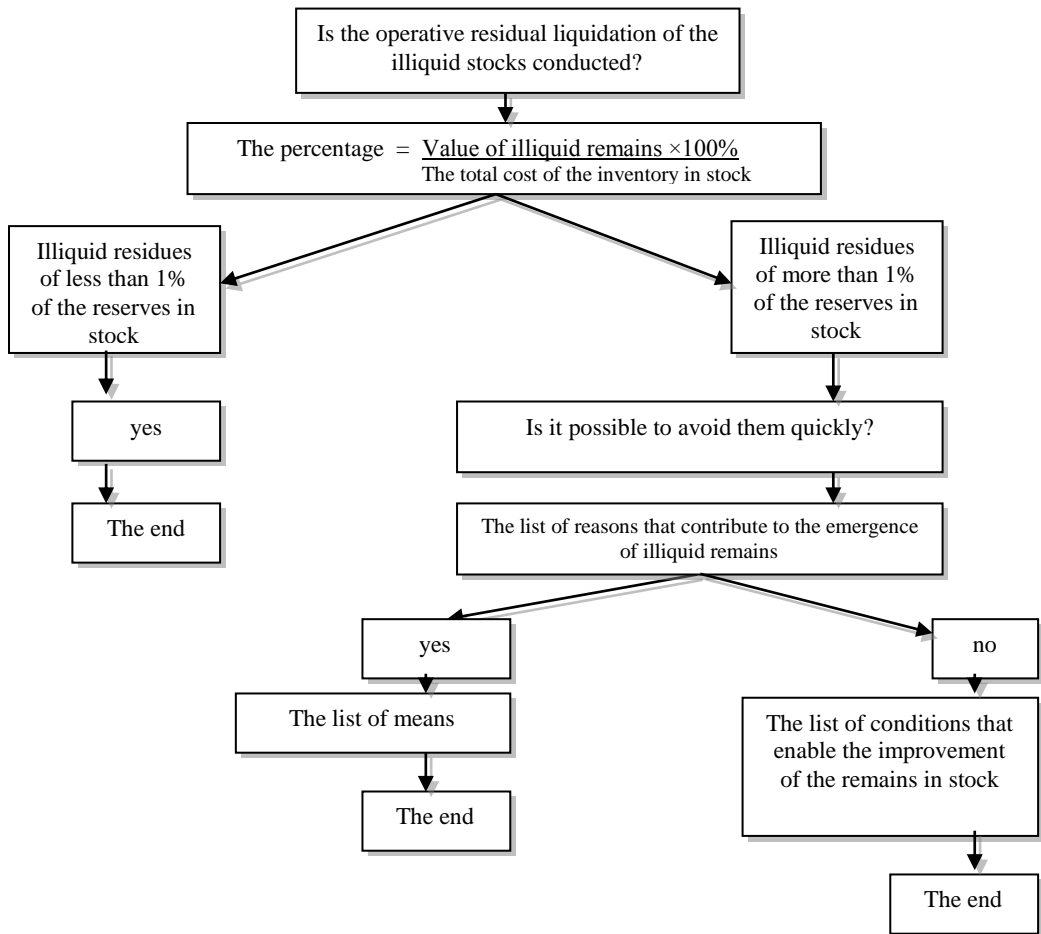

Fig. 4. The control algorithm over the liquidity of the residue reserves in stock
(developed by authors)

It means that if the proportion of the illiquid residue stocks is less than 1% of total inventory in the warehouse, the measures of the illiquid stocks' liquidation can be considered to be the effective ones.

If the proportion of the illiquid residue stocks exceeds 1% of the total inventory in the warehouse, it is necessary to analyse the causes of such residues formation.

The main reasons for the formation of the abnormal residual reserves are:

- Overstatement of the expenditure norms of materials;
- Incorrect determination of the need for stocks;
- Uneven flow of materials;
- Delayed launch of new products into production;
- Failure to keep the production technology and the standards of expenditure;
- Buyer's refusal from the finished products, so that a part of the previously purchased material becomes excessive and so on.

After studying the causes of the illiquid residue stocks' formation, an opportunity to avoid them has been analysed, the list of tools for the rapid effect on the reduction of the illiquid stocks (redistribution (sales) of the surplus stocks, the exchange transactions, auction sales, the formation of logistics plans within the existing resources) or the list of conditions that enable the improvement of the residue at the warehouse, has been created.

The conditions that enable the improvement of the residue stock may be the following ones: setting of the more strict control over the disparities of the supplied materials product lines; contracts, stipulating the impossibility of the long-term supply; integration deepening of the information and harvesting logistics; forecasting of the expenditure norms of materials with maximum probability; analysis of claims in order to get from customers not only fines but also the full compensation for the losses caused by their refusal to purchase the products according to the final contracts; taking into account the presence indicator of the abnormal stocks in the awarding system of workers from the delivery service, other units and so on.

Conclusions and Suggestions

During the study of the possibilities of the restocking cost reduction it was found that they occur when at the usage of the "just in time" method. It happens due to the optimization of the order size and their quantity, minimization of the reserve stocks, strengthening of the quality management and timely delivery of material; more accurate calculation   of the coefficient of stock coverage in days; establishment of the strict control over the liquidity of the residue stocks in the warehouses. According to this information, the algorithm of control over the quality of supply and algorithm of control over the liquidity of the residue stocks at the warehouse are developed.

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