

ORGANIZATIONAL MODEL OF ACCOUNTING POLICY UNDER CONDITIONS OF IFRS USE

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Abstract. The integrated model of an enterprise's accounting policy formation's organization, which is subjected to the norms of the international standards, is offered in the article. The model foresees the organizational measures, dealing with the accounting policy formation, which are structured, according to the stages of the organization, the content of IFRS norms or their absence. Thus, if the accounting rule: a) is defined in the corresponding IFRS, then its use is obligatory (if the influence of its use is insignificant, then this rule may not be used); b) is not defined by IFRS, then the accounting policy is defined by the managerial personnel, who use the opinion.

The accounting policy of an enterprise is presented as the resulting informational product, which is composed of the totality of an accountant's professional opinions.

Keywords: norms of international standards, professional opinion.

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Introduction

The urgent task of the national foreign and internal policy of Ukraine is its going into the European political, economic and legal space, the country's ratification as the influential European state and gaining a competent membership in the European Union (EU). The reforming of the accounting, being the important object of the harmonization within the US limits, was defined among the prior directions of the Ukraine legislation's adaptation to the US legislation in the economic sphere.

The legislative changes, which have occurred lately in the accounting sphere, made the International Standards of Financial Reporting (IFRS) an integral part of the national legislation. From the first of January, 2012 some subjects of management use IFRS officially in order to conduct the financial and consolidated reporting.

The public joint-stock societies, banks, insurance agents, credit associations, financial companies, pawnshops, professional participants of the securities' market are referred to such subjects of management.

All other subjects of management, except the mentioned ones in part 2 of the art.12-1 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", can define the

necessity of IFRS use individually. It's rational for the enterprises, among the owners (founders) of which there are non-residents, to use this norm of the Law. In such a case the enterprise should not conduct a financial reporting in two formats at the same time: for the domestic users, according to NP(S)A, but for the foreign owners and potential investors, – according to IFRS.

The introduction of IFRS in Ukraine makes the accounting policy to be of greater importance from the viewpoint of its influence on the financial state and activity results of the subject of management. The organizational-methodical ensuring of the accounting policy formation, which is introduced by IFRS for the financial reporting's conducting, gains a special importance under such conditions.

Analysis of the Recent Publications and Studies

The theory and practice problems of the enterprise's accounting policy formation, according to the international and national standards, were examined by the scientists and economists, in particular, by T. Baranovska, K. Borymska, R. Brown, F. Butynets, L. Vasylyeva, P. Zhytnyi, G. Zhuravel, Steven J. Kachelmeier, Ronald R. King, B. Zasadnyi, O.Kyrey, V.Kulyk, N.Lohanova, S. Lozovytskyi, C. Tzovas, K. Utenko, F. Fursa, M. Whittington, S. Yatsyshyn and others.

Without reducing the scientific works' importance of the leading scientists, we'll note that the content of the accounting policy's organizational stages, according to IFRS, has not found enough reflection in their investigations. It grounds the necessity to expand the theoretical knowledge by the organizational model's elaboration of the Ukrainian enterprises' accounting policy formation, according to IFRS. The offered design of the accounting policy formation can be used by the enterprises at the transition to IFRS.

The aim of the presented scientific investigation and tasks

The aim of the presented scientific investigation is the key content's definition of the accounting policy organization's stages, according to IFRS, for the presentation of its formation's organizational model.

Coming out of the set aim, it is suggested to solve the following tasks:

- a) to analyse the content of the *accounting-political* term – 'the accounting policy', according to the national normative-legal acts in the accounting sphere and international standards of financial reporting;
- b) to generalize the content of the accounting policy organization's stages, according to IFRS;
- c) to investigate the role of an accountant's professional opinion at each stage of the accounting policy formation's organization;
- d) to suggest an organizational model of the accounting policy formation for the institutional unit, which conducts the reporting, according to IFRS.

Key Findings

The international standards render an important significance and pay much attention to the accounting policy. But there is no special standard, devoted to it exceptionally, among the international standards (and, correspondingly, among the Ukrainian ones). Some Ukrainian

scientists offer to introduce such a standard in order to collect all the *accounting-political* information together: “Taking into account the fact, that there are no single rules of the accounting policy formation, we suggest to elaborate the concept of the accounting national position (standard) – “the accounting policy”, which would establish the bases of the formation (choice and grounding) and reveal (promulgation) of the enterprise’s accounting policy” (Vasylyeva, 2014).

To our mind, such a suggestion is not opportune. However, the accounting policy covers all the standards, but the general information, dealing with it, is contained in NP(S)A 1 “General Requirements to Financial Reporting” and P(S)A 6 “Correction of Errors and Changes in Financial Reports” and also IAS 1 “Presentation of Financial Reporting” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. At this, as it’s seen from §§1 and 2 of IAS 8, their functions in the accounting policy formation are divided distinctly between these two standards. Thus, in IAS 1, the requirements to the information reveal on the accounting policies are presented, among others; the aim of IAS 8 is the definition of the criteria to choosing and changing of the accounting policies, together with the accounting approach and reveal of information on changes in the accounting policies.

The Ukrainian legislation refers the accounting policy to the fundamental phenomena. The evidence of this is the fact that its definition is presented in the Law of Ukraine “On Financial Accounting and Financial Reporting in Ukraine”, doubled also in NP(S)A 1 “Requirements to Financial Reporting”. In this standard, in the same way as in NP(S)A 2 “Consolidated Financial Reporting”, there are several norms, dealing with the accounting policy. But more information, dealing with it, is contained in P(S)A 6 “Correction of Errors and Changes in Financial Reports”.

The Ukrainian definition – “the accounting policy” – does not repeat literally its international prototype, but it also does not contain any essential differentiations:

Art. 1 of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” – p.4, d. 1 of NP(S)A 1 “Requirements to Financial Reporting”

The accounting policy is - the totality of principles, methods and procedures, which are used by an enterprise for conducting and presentation of financial reporting

§ 5 of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

The accounting policies are – the concrete principles, bases, agreements, rules and practice, used by a subject of management at conducting and presenting of financial reporting

Let’s note, that in IAS 8, it is spoken on the accounting policy in plural. It’s explained by the fact, that, according to the international rules, the accounting policy, set for the concrete accounting object, is considered to be a separate accounting policy. But basing on the national definition of the term, the very totality of such accounting policies composes the single accounting policy of the enterprise.

In both variants of this term, firstly, the aim of the accounting policy’s use – “conducting and presentation of financial reporting”- is defined absolutely in the same way, i.e. the accounting policy is limited only by conducting and presentation of financial reporting and is not expanded on the problems of the accounting’s organization and exercising;

secondly, it's not spoken either on the opportunity of choice or on the order, which confirms its content.

As far as the choice opportunity is concerned, nothing is said about it in fact, but its individual character is observed from the definition of the accounting policy. However, we speak on the opportunity of choosing the concrete principles, methods and procedures (in the Ukrainian variant) or the concrete principles, bases, agreements, etc. (in the international variant) by the concrete enterprise.

In both definitions of the accounting policy (both in Ukrainian and international ones) the principles were the first to be named. According to p.6 in part IV of NP(S)A 1, the enterprise should light up the chosen accounting policy by the description of: the principles of estimation of the reporting's articles, the accounting methods, dealing with the separate articles of reporting (NP(S)A 1, 2013).

The similar norm is in IAS 1, where, according to § 117, the subject of management, describing his accounting policies in the notes to financial reporting, should reveal: the base (or bases) of the estimation, used at conducting of financial reporting; the other used accounting policies, being opportune for understanding of the financial reporting.

Thus, everything that in the Ukrainian standard is called "principles", is called "a base" by the international standard. There are a lot of similar terminological differentiations in standards. In most cases they do not change any sense of this or another norm and do not prevent us from its correct understanding.

However, some important norms are absent in the Ukrainian standards, which greatly go against the international standards, according to their amount. Particularly, in NP(S)A 1 there is no analogue to § 7 of IAS 8, where it's mentioned that "if IFRS are used concretely for the operation, another event or condition, then the accounting policy or the accounting policies, used to such an article, should be defined by the use of IFRS" (NP(S)A 1, 2013). Thus, the estimation principles, accounting methods, procedures, agreements, rules, etc., on which it is spoken in the definition of "the accounting policy" term, should be found in the standards, devoted to the concrete objects of accounting.

Almost all the standards contain two categories of norms:

- those, which establish concrete rules and should be performed by the subjects of management unconditionally;
- those, which contain several variants of rules, among which the subject of management has an opportunity to choose one or several ones.

As it's noted in § 8 of IAS 8: "IFRS present the accounting policies, which give an opportunity to conduct such a financial reporting, that would contain the opportune and trustworthy information on the operation, other events and conditions, to which they are used (IAS 8, 2003). Thus, almost each standard has something general for everybody and something, that each enterprise chooses individually. The latter one is the accounting policy.

An attention is paid at § 10 of IAS 8, which says that if there is no IFRS, which is concretely used to operation, another event or condition, then the subject of management has the right to elaborate an accounting policy individually. This norm deserves an attention, because it testifies the foresight and flexibility of the international standards' elaborators. They understand that the economy and the economic activity develop constantly, that is why there is an appearance probability of the accounting objects, not included into the standards.

Being different from the national standards, IFRS present much more opportunities for the establishment of the accounting policies, based not only on the acting standards and interpretations, but on the opinions of the managerial personnel.

At the organization of the accounting policy formation, it's necessary to take into account that the International Standards of Financial Reporting in the role of the information users, which is contained in the enterprise's reporting, perceive the investors first of all. Such a position is the main difference, because accounting and reporting in Ukraine are subjected to the state's interests and to the requirements of the tax legislation.

"IFRS are based on three main concepts: fair cost (the essence is that the assets and liabilities are reflected by such a cost, which can inform the reporting's users best of all of the real cost of the accounting objects), priorities of the economic content over the legal form (being different from the Ukrainian standards, IFRS do not leave the unity of the economic content and legal form), transparency (in reporting, conducted, according to IFRS, a great volume of information on the enterprise's activity is revealed)" (Fursa, 2016).

The approaches to the accounting organization are changed under modern conditions of business - making. With the realization purpose of different project decisions, it's necessary to use the ways of modelling, which would be put into the basis of one or another content's choice of the accounting policy. Let's clear out their contents and form the integrated model with the purpose of the practical use of the recommendations, dealing with the organizational measures of the accounting policy formation.

The accounting policy formation is a different, complex process, which is composed of three stages: preparation, the main one and conclusion. Each stage plays the corresponding role (Fig.1). Having guaranteed their harmonization and succession, you can form the rational accounting policy.

The process of the accounting policy formation's organization is under the influence of two essential factors, which define the main content of the accounting policy. All the factors of influence may be divided into the internal and external ones.

The external factors are the factors, which are stipulated by the economic-political situation in the country and in the world, legislative-normative documents of the state level, the activity of the bodies, having an influence on the accounting and reporting, the state policy in the sphere of accounting.

The internal factors are the factors, which are defined by the enterprise itself and depend upon its activity in general and the accounting sphere in particular. To such factors it's worth referring: the property form of the enterprise and its organizational-legal form; the type of activity and the concrete branch; the scale of the enterprise and the volumes of its activity; the level of the material-technical and energetic provision of the enterprise; the number of workers and the level of the personnel qualification.

If we analyze the mentioned factors, it's evident that they depend completely upon the concrete subject (enterprise) and the sphere of its activity. The problem of such factors' integration complicates the process of the accounting policy formation. The main instrument, which allows to unite the external and internal factors and which leads to the accounting policy formation, is a professional opinion.

The interpretation of 'the professional opinion' term is defined in ISA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing", according to which a professional opinion is the use of the necessary skills, knowledge and experience in the standards' context of the audit, accounting and professional ethics at the grounded decision-taking, dealing with the plan of actions, being acceptable under the circumstances of the audit tasks.

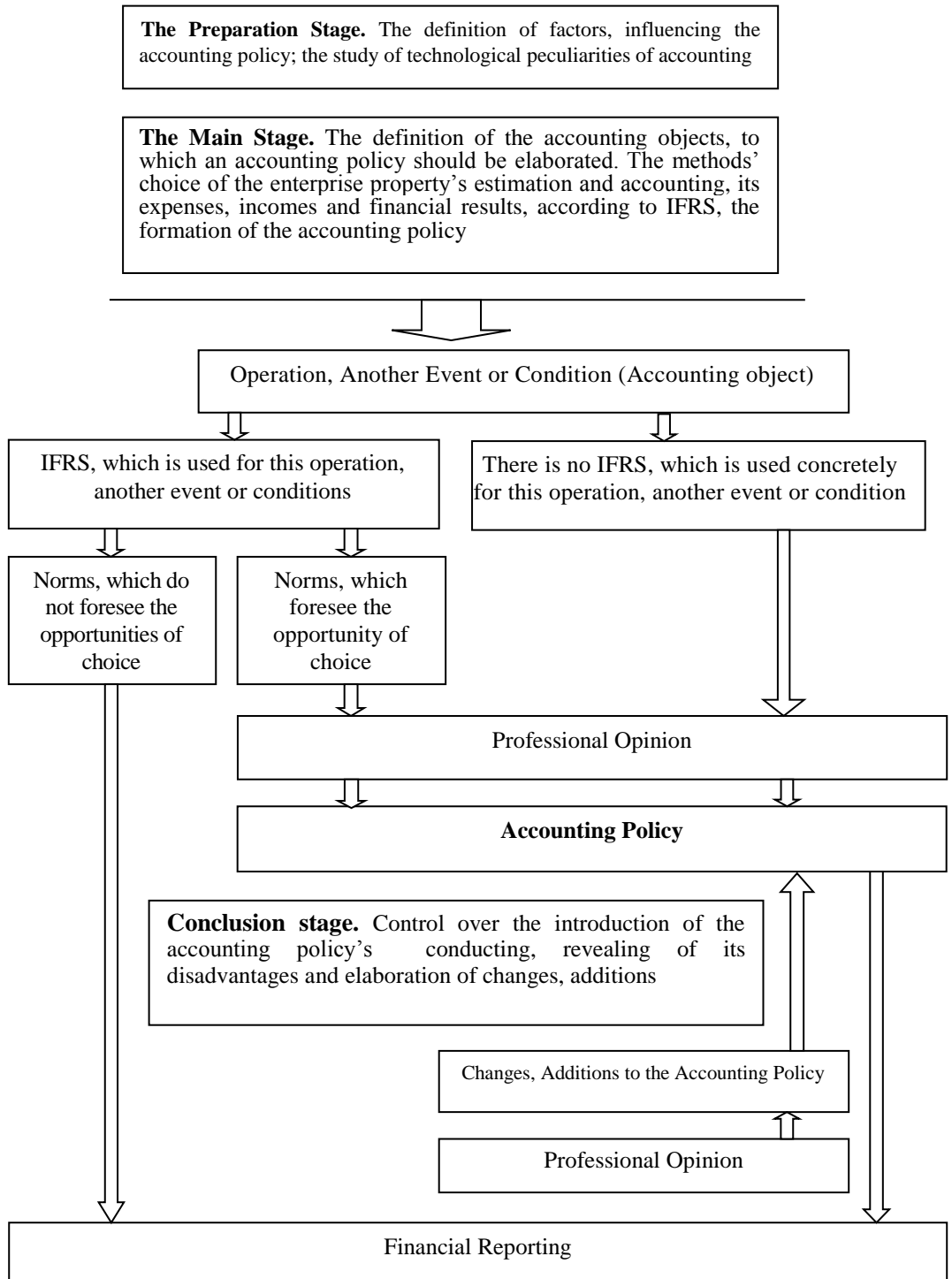


Fig. 1. Organizational Model of Accounting Policy, According to IFRS
[author's development]

The existence of the professional opinion's substitute in the accounting system is stipulated by the presence of the legislatively fixed right for the choice of methods and ways of accounting's exercising, which should be declared in the accounting policy of the enterprise.

Taking into consideration the above mentioned, the enterprise's accounting policy should be examined as the resulting informational product, composed of the totality of an accountant's professional opinions. Making choices from the available legislative alternatives, the accountant should follow the interests of the enterprise, especially in the choice part of one or another method of accounting's conducting with the purpose of the formation and presentation of the trustworthy information on the activity of the enterprise. Another important aspect of the accountant professional opinion's use is the need in elimination of the uncertainty, caused by the imperfection of the accounting normative-legal acts or the absence of the concrete, defined by the legislation, approaches to the reflection of those or other managerial operations. In such cases the accountant should take a responsibility, for his fear and risk, for the formation of the accounting policy's concrete positions, which should guarantee the trustworthy reflection of the managerial activity.

Particularly, in IAS 8 it's noted that if a standard or an interpretation, which are concretely used for the operation, another event or condition, is absent, then the managerial personnel should use the opinion at the elaboration and use of the accounting policy. The information should correspond to the requirements of the users on economic decisions-taking and should be trustworthy in that sense, that the financial reporting: presents reliably the financial state, the activity's financial results and money flows of the subject of management; reflects the economic essence of the operations, other events or conditions, but not only the legal form; is neutral, i.e. free of prejudices; is discrete; is complete in all essential aspects.

Correspondingly, the realization of the professional opinion, to T. Storozhuk mind, should be exercised on the basis of: the valid legislative-normative base at all the regulation levels of accounting's exercising and reporting's conducting, including the international one; the scientific base and properties in the sphere of accounting; the formed practice and qualification of the experts on accounting; private theoretical knowledge in the speciality of each expert; practical experience of the specialist in accounting's exercising in the whole and in the corresponding branch and at the enterprise (organization, institution) (Storozhuk, 2013). The author pays an attention at the fact that the accounting policy is the territory of the professional (more often, but not exclusively, the accounting one) skill; the place, where the experience and intuition are not less important than knowledge.

Significant for the development of IFRS use's practice is the problem of the corresponding qualification's absence, in particular, the accounting estimation's competence of the events and operations: the experts, who have passed the training in the period of the planned and transition economy, have no such experience. Due to the fact, that knowledge of IFRS is not obligatory in our country for gaining a higher professional education in the accounting speciality, the enterprises may feel the lack of the corresponding qualification's personnel. However, as separate investigators mention, the first steps have been made in Ukraine in the direction of this problem's decision: the courses of the qualification improvement, dealing with IFRS use, and the certificate programs are acting, including the international ones (Kyrei, 2014). More and more accountants, having the diplomas and certificates of the international institutes and organizations, such as ACCA, CIMA, CPA, CFA, CIPA, IAB, IFA, CGA, IMA, etc. appear in Ukraine every year. It's foreseen that the owners of the certificates can use the professional opinion for the problems of financial

management, take part in the managerial decisions-taking and elaborate the qualitative Positions on the accounting policy at the enterprise on the basis of IFRS, which would maximally take into account the specific character and tactical aims of the enterprise activity. Thus, the quality of the accounting policy and financial reporting depends greatly upon performers. That is why, to the authors' mind, it's necessary to refer the training level of the personnel - participants of the accounting policy formation to the internal factors, influencing the qualitative characteristics of the accounting policy.

The preconditions of the accountant professional opinion's use widening are the following:

- the appearance of the accounting new objects, which are not reflected in the enterprise's financial reporting (business reputation of the company, human capital, client base, transactional expenses, etc.);
- the use of the professional opinion on its vitality;
- the use of the professional opinion at the estimation choice of the accounting object (Boyko, 2016).

You should take into account that changes in the managerial activity of enterprises may cause the need in the reconsideration of the taken decisions and the inclusion of certain correctives into the accounting policy, that may be established only on the basis of the accountant's professional opinion. The professional opinions may be divided conditionally into two groups, according to their belonging to the reporting periods, due to which they are formed:

- the professional opinions, dealing with the future facts' interpretation of the managerial activity, the appearance of which is foreseen with the high degree of trustworthy, including the facts' knowledge of the previous reporting periods or another information. In this case the professional opinion is formed as the order on the accounting policy, which is approved at the beginning of the year;
- the professional opinions on the facts of the managerial activity, which appear during the current reporting period. They are formed either as a change or as an addition to the accounting policy during the year.

Let's concentrate our attention at the main stage of the accounting policy formation's organization – the methodical component, because, with the transition to IFRS, this very part is subjected to significant changes. This part is a description of the concrete methods of the information reflection in accounting and financial reporting, which are chosen, according to the approaches, being suggested by the international standards and not objecting to them. As each separate company has its own specific character of the managerial activity's exercising, it's difficult to give any unified recommendations, dealing with the information reveal and the formation of points in the methodical part of the accounting policy. In p.54 of IAS 1, the minimal list of the articles, the information on which should be reflected by all means in the Reporting on the financial state, is presented. The list of such articles and the corresponding IFRS, where the methodological approaches, methods and ways of the information interpretation on the mentioned articles are revealed in the financial reporting, is presented in Table 1. It will simplify significantly the process of the accounting policy formation, according to IFRS.

Table 1

Minimal Articles' List of Reporting on the Financial State and Corresponding to Them Methodical Component of the Accounting Policy, According to the Requirements of IFRS [author's development]

| Article's name | Accounting policies, dealing with the chosen methods of the accounting object | Regulating standard of IFRS/IAS |
|-------------------------|--|--|
| 1 | 2 | 3 |
| Main means | Main means (definition; recognition; estimation; accounting model; periodicity of the re-estimation conducting; amortization methods; criteria of spare parts' recognition and reserve equipment by the main means; reduction and renewal of the utility; recognition stopping; reflection in reporting, etc.) | IAS 16 "Property, Plant and Equipment" |
| Investment immovability | Investment immovability (definition; recognition; estimation; transference; withdrawing; reflection in reporting, etc.) | IAS 40 "Investment Property" |
| Intangible assets | Intangible assets (recognition; periodicity of re-estimation conducting; amortization methods; reflection in reporting, etc.) | IAS 38 "Intangible Assets" |
| Financial assets | Financial instruments (financial assets and financial liabilities; recognition; estimation; reflection in reporting, etc.) | IFRS 7 "Financial Instruments: Disclosures"; IAS 32 "Financial Instruments: Presentation" IAS 39 "Financial Instruments: Recognition and Measurement" (will be superseded by IFRS 9 effective 1 January 2018) |

Continuation of the table 1

| 1 | 2 | 3 |
|---|--|---|
| Investments, according to the method of participation in capital | Investments into the associated enterprises | IAS 28 "Investments in Associates and Joint Ventures" |
| Biologic assets | Biologic assets and agricultural production (definition; recognition; estimation; reflection in reporting, etc.) | IAS 41 "Agriculture" |
| <u>Inventories</u> | Reserves (recognition; estimation; method and estimations of withdrawing; reflection in reporting, etc.) | IAS 2 " <u>Inventories</u> " |
| Assets, which are kept for sale | Non-current assets, which are kept for sale (recognition; estimation; reflection in reporting, etc.) | IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" |
| Provision, liabilities | Recognition and estimation of provisions and liabilities, their separate reflection | IAS 37 "Provision, Conditional Liabilities and Conditional Assets" |
| Financial liabilities | Expenses, according to credits and loans | IAS 23 "Borrowing Costs" |
| Deferred tax assets and liabilities | Income tax (definition; classification of the tax assets and liabilities; their estimation; information revealing, etc.) | IAS 12 "Income Taxes" |
| Liabilities, included into the liquidation groups, are classified as those, which are kept for sale | Classification of liabilities as those, which are kept for sale, the separate reveal in reporting | IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" |
| Uncontrolled parts, presented in the property assets | The need in the information revealing on the uncontrolled parts, the order of operations at the loss of the maternal enterprise's control over the daughterly one (division into the owners of the maternity company, stopping of assets' recognition, correction of income, others) | IAS 1 "Presentation of Financial Reporting", IFRS 10 "Consolidated Financial Statements" |
| Issued capital and reserves | Financial reports (composition of financial reports; general characteristics; principles; structure and content) | IAS 1 "Presentation of Financial Reporting", IAS 7 "Statement of Cash Flows" |

The example of the accounting policies' choosing is: the choice of the accounting model, which is used by the subject of management for his investment immovability, - the model of the fair cost or the model of the prime-cost (IAS 40); as for the main means, - the accounting policy's choice will be presented by their accounting's choice, according to the model of the prime-cost or according to the model of re-estimation (p.29 of IAS 16).

According to the prime-cost model, after having been recognized as an asset, the object of the main means should be accounted according to its prime-cost minus any accumulated amortization and any accumulated losses from the reduction of utility.

As far as the model of re-estimation is concerned, after the object of the main means have been recognized as an asset (the fair cost of which may be truly estimated), it should be accounted, according to its re-estimated sum, being its fair cost on the date of its re-estimation, minus any further accumulated amortization and the further accumulated losses from the reduction of utility.

For the reserves, the accounting policy's choice will be the choice of the formula (method) of the reserves' prime-cost definition, according to IAS 2, by which three formulas (the averagely-weighted prime-cost, FIFO, identified prime-cost) and two methods of the reserves' prime-cost definition are foreseen.

For the incomes from the services' presentation, according to IAS 18, the choice of the accounting policy will be presented by the methods, which are used for the definition of operations' completeness level, being foreseen by the presentation of services. Three methods of the operations' completeness level definition are foreseen by this standard.

If there is no IFRS, which is used concretely for the operation, another event or condition, then the managerial personnel should use the opinions at the elaboration and use of the accounting policy. Thus, the notion of the doubtful debts' reserve for the receivables is absent in the international standards of accounting and financial reporting. Correspondingly, the recognition methods of the doubtful debts' reserve (the method of the doubtfulness absolute sum's use and the method of the doubtfulness coefficient's use), being foreseen by the national P(S)A 10, are absent too. The Paragraph 62 of IAS 39 says: "Sometimes the observation data, necessary for the previous estimation of the loss sum from the financial asset's utility reduction, may be limited or may not correspond completely to the current circumstances. For example, it may happen, if the borrower suffers from financial difficulties and there is a small number of the available former data on such borrowers. In such cases the subject of management uses his professional opinion for the previous estimation of any loss sum from the reduction of utility" (IAS 39, 2003).

However, in IAS 39 it's defined that the receivables are referred to the financial assets, which are estimated further, according to the depreciated prime-cost. At this, if there is an objective evidence of the fact that the loss has appeared from the utility reduction of the receivables, being accounted, according to the depreciated prime-cost, then the balance cost of the asset should be reduced directly or by using the account of reserves. The sum of the loss should be recognized in the income or the loss.

Thus, the creation of the doubtful debts' reserve, being foreseen by the national P(S)A 10, meets the requirements of IAS 39 on the recognition of receivables' utility reduction through the account of reserves. But the recognition method's choice of the doubtful debts' reserve is the managerial personnel's opinion, taking into consideration the Positions of the accounting's national standards, which do not object to IFRS, and the Conceptual basis of financial reporting.

Conclusions and Suggestions

The investigation results allowed to define such peculiarities of the accounting policy, which are characteristic for the modern stage of the accounting national system's development in Ukraine, namely:

a) the liberation instrument of the accounting system in the part of transition to IFRS use;

b) the instrument the internal regulation documents' improvement in the part of the formation and reveal of financial information;

c) the instrument of the contradictory moments' decision, dealing with the order regulation of the financial reporting's conducting;

d) the instrument, which guarantees the realization of the accountant professional opinion's use at the elaboration need in the ways and methods of the accounting reflection of the managerial processes.

The suggested model of the enterprise's accounting policy formation is subjected to the norms of international standards (the accounting policy for the corresponding operations, events or conditions is defined by the separate standards, the recommendations on the choice and use of the accounting policy are contained in IAS 8) and foresees the organizational measures on the elaboration of the accounting policy, which are structured, according to the stages of the organization, the content of IFRS norms or their absence. Thus, if the accounting rule:

a) is defined in the corresponding IFRS, - its use is obligatory (if the influence of its use is insufficient, - this rule may not be used);

b) is not defined in IFRS, - then, the accounting policy is defined by the managerial personnel, who use professional opinions. The accounting policy of the enterprise is presented as the resulting informational product, which is composed of the totality of the accountant's professional opinions.

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