

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE**

**SIMON KUZNETS KHARKIV NATIONAL UNIVERSITY OF ECONOMICS**

# **ACCOUNTING AND REPORTING**

**Guidelines to practical tasks  
for Bachelor's (first) degree students  
of speciality 292 "International Economic Relations"**

**Kharkiv  
S. Kuznets KhNUE  
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The tasks are given to gain the knowledge and develop skills in practical work with special literature, to master and deepen the experience in solving problems on the academic discipline.

For students mastering the Bachelor's degree educational programme "International Business".

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## Introduction

The activity of entrepreneurs is impossible without a clearly established system of accounting, which is the object of the academic discipline "Accounting and Reporting". Accounting serves as a tool for identifying, measuring and communicating economic information to help the users of information make informed judgments and decisions.

The academic discipline "Accounting and Reporting" is a professional compulsory discipline which is taught in accordance with the educational and training program for managers of Bachelor's degree.

While studying the educational material students are involved in theoretical, practical and independent training. In the credit-modular system of organization of the educational process, independent training is essential. The main purpose of independent training is the creation of conditions for the fullest realization of the creative potential of students through the development of their abilities to do research and engage in individual activity.

Independent training of students consists of the elaboration of the theoretical foundations of the discipline contained in the lecture materials, studying the specific issues of the themes using the main and supplementary literature, legislation and guidance materials, solving individual problems, preparation for practical classes, intermediate and final control.

The purpose of the tasks for independent work of students is not only to deepen the theoretical knowledge and practical skills in presenting the acquisition transactions in the accounting of Ukrainian enterprises, but above all to develop skills in independent creative research, interpretation and use of practical methods that accompany the accounting work of an enterprise.

The guidelines for independent work conform to the syllabus of the academic discipline "Accounting and Reporting" in the themes of module 1 "The fundamentals of accounting" and module 2 "The methodology and technology of reporting". Each student should perform the tasks according to the themes of the academic discipline based on the information of the case selected in accordance with his/her number in the students' attendance journal.

# **Module 1. The Fundamentals of accounting**

## **Theme 1. Accounting, its essence and principles of organization**

According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", accounting is a process of identifying, measuring, recording, accumulation, generalization, storage and transmission of information about the enterprise activities to the internal and external users for decision making.

Methodologically accounting is divided into two types – financial and management, which reflects targeting the internal and external users of information. Financial accounting is a comprehensive accounting of all types of funds and the entire economic activity of enterprises. It includes the analytical accounting of settlement with suppliers, customers, other organizations and individuals, as well as analytical accounting of financial transactions. Management accounting is concerned with the provision of information to people within the organization to help them make better decisions and improve the efficiency and effectiveness of operations. The main objective is to provide timely accurate information about the income and expenses of the enterprise on the whole as well as of its individual segments.

Accounting measurements tend to be based on the historical cost determined by reference to an exchange transaction with another party (e.g. a purchase), so income is "revenues minus expenses" as determined by reference to those transactions. More specifically:

revenues are inflows and enhancements from delivery of goods and services that constitute central ongoing operations;

expenses are outflows and obligations arising from the production of goods and services that constitute central ongoing operations.

To recognize an item is to enter it into the accounting records. Revenue recognition normally occurs at the time services are rendered or when goods are sold and delivered. The conditions for revenue recognition are (a) an exchange transaction, and (b) the earnings process being complete.

Expense recognition will typically follow one of three approaches, depending on the nature of the cost:

1) associating cause and effect: many costs are linked to the revenue they help produce;

2) systematic and rational allocation: some costs benefit many periods. Stated differently, these costs expire over time. In such cases, accountants may use a systematic and rational allocation scheme to spread a portion of the total cost to each period of use;

3) immediate recognition: last, some costs cannot be linked to any production of revenue, and do not benefit future periods either. These costs are recognized immediately.

National standards of accounting require that a business use the accrual basis. Under this method, revenues and expenses are recognized as earned or incurred. An alternative method is the cash basis. Under this easy approach, revenue is recorded when cash is received (no matter when it is earned), and expenses are recognized when paid (no matter when incurred).

The subject of accounting is separate sides of the expanded reproduction: the economic facts, events and operations that cause the movement of enterprise's resources, as well as the sources of their formation. The subject of accounting covers the entire process of reproduction, that is, production, distribution, circulation and consumption.

The objects of accounting are: the company's resources (assets), the sources of formation of these resources (equity and liabilities) and business processes.

Assets are items of value owned by an enterprise. Assets are resources controlled by an enterprise as a result of past events, the use of which is expected to lead to economic benefits in the future.

Liabilities are debts or obligations to pay money or other assets or to render services. These debts arose from past events and sinking of these debts in the future is expected to lead to a decrease in the enterprise resources embodying economic benefits.

In accordance with national accounting standards in Ukraine, assets of the company are divided into three groups: fixed assets, current assets, fixed assets intended for sale. The sources of enterprise resources are divided into four groups: equity capital (stockholders equity), current liabilities, fixed liabilities, liabilities related to fixed assets intended for sale.

Fixed assets are relatively long-lived assets necessary for the operation of the business and not convertible readily into cash. They are not stationary but fixed from the standpoint of the permanence of the investment in them. One of the major groups of fixed assets is the property, plant and equipment group. This group contains: land, buildings, machinery, furniture and fixtures,

delivery equipment. Intangible assets are long-term assets that lack physical existence, for instance: contract rights, copyrights, patents, etc.

Current assets are cash and other assets that will be converted into cash through the normal operation of the business, usually in less than a year. A few of the more customary titles to be found in this group are:

1) inventory: raw material, work in process, finished goods and merchandise;

2) accounts receivable – claims to pay the business;

3) accruals receivable – accumulated claims arising out of services rendered by the business over a period of time but which are not yet due;

4) cash, which includes coins, paper money, bank drafts and any other items that a bank will accept for deposit.

Deferred charges are expenditures for supplies or services that are to be charged as expenses in a subsequent period or periods. Deferred charges include expense items that have been incurred in advance of the period to which they are applicable prepaid expenses.

Stockholders' equity is the excess of the assets over the liabilities. It is the ownership interest in the total assets of the enterprise. The amount of its capital and its capital stock is the same mostly only at the time a corporation is organized and the members invest in it.

Liabilities are debts or obligations to pay money or other assets or to render services. The two fundamental classes of liabilities are current liabilities and fixed liabilities. Current liabilities are debts that are due to be paid within one year or the operating cycle, whichever is longer. Fixed liabilities are debts with a maturity date usually more than a year or the operating cycle away.

The quality of accounting is underpinned by some fundamental assumptions and rules: the prudence concept, the full disclosure principle, the entity assumption, the consistency concept, the going-concern assumption, the matching concept, the accruals concept, the principle of prevalence of the essence above the form, the historical cost principle, the monetary unit assumption, the periodicity assumption.

## **Task 1**

Prepare a balance sheet as of the beginning of the referenced period based on the information in Tables 1.1 – 1.3.

Table 1.1

## Beginning normal balance of accounts for cases 1 – 10

No.	Accounts	Amounts per cases, UAH									
		1	2	3	4	5	6	7	8	9	10
1	Land	83 000	62 000		166 000		50 000	56 000	45 000	112 000	
2	Buildings	124 000		198 000		108 000	147 000	154 000		33 000	124 000
3	Equipment & Machinery	63 000	84 000	17 000	96 000	50 000	54 000	133 000	152 000	129 000	82 000
4	Vehicles		164 000	42 000			57 000	177 000	44 000	30 000	169 000
5	Tools, Devices and Implements	158 000			194 000	137 000	47 000		166 000		
6	Miscellaneous Fixed Assets	114 000	120 000	16 000	50 000			32 000	68 000	30 000	185 000
7	Intangible Assets		104 000	17 000	181 000	152 000			59 000	98 000	108 000
8	Accumulated Depreciation	174 000	64 000	92 000	24 000	87 000	148 000	34 000	108 000	161 000	
9	Capital Expenditures	80 000		179 000	180 000		51 000	135 000			109 000
10	Raw Materials	179 000	170 000			45 000	164 000	34 000	81 000	89 000	90 000
11	Purchased Semi-finished Products		57 000	170 000	107 000		6 000	185 000	178 000	198 000	79 000
12	Fuel	102 000	148 000	142 000	35 000	166 000		137 000	44 000		200 000

Table 1.1 (continuation)

1	2	3									
		1	2	3	4	5	6	7	8	9	10
13	Building Materials	98 000	97 000				157 000	3 000	154 000	118 000	
14	Spare Parts		100 000	192 000	66 000	175 000	103 000		182 000	35 000	93 000
15	Unvaluable and High-Wear Items	119 000	10 000		33 000	199 000		140 000		197 000	19 000
16	Work-in-Process	188 000		210 000		33 000	169 000	114 000	178 000	42 000	
17	Finished Goods		167 000		35 000	77 000	140 000	98 000	115 000		112 000
18	Merchandise	69 000		46 000		108 000	137 000		147 000	37 000	6 000
19	Cash on Hand	156 000	39 000	192 000	180 000	102 000		110 000		27 000	6 000
20	Cash at Bank	41 000			83 000	21 000	211 000	107 000	115 000	191 000	
21	Short-Term Notes Receivable			57 000	140 000	87 000	122 000		14 000		30 000
22	Cash Equivalents	170 000	81 000	64 000		123 000		60 000		182 000	90 000
23	Accounts Receivable	92 000	67 000		197 000	6 000	29 000	150 000	161 000	20 000	
24	Miscellaneous Receivables			143 000	125 000		114 000			14 000	159 000
25	Allowance for Uncollectable Accounts	18 400	13 400	–	39 400	1 200	5 800	30 000	32 200	4 000	–
26	Deferred Charges		167 000		161 000	162 000	194 000		183 000	125 000	166 000
27	Capital stock	905 600	568 600	392 000	–	560 800	576 200	523 000	819 800	–	1 278 000
28	Share Capital		139 000		1 191 600	49 000	81 000			686 000	147 000



Table 1.1 (continuation)

1	2	3									
		1	2	3	4	5	6	7	8	9	10
29	Capital Reserves			26 000	44 000			24 000	113 000		
30	Retained Earnings	126 000	149 000		108 000	173 000	108 000	109 000	53 000	183 000	98 000
31	Withdrawals	154 000	105 000	61 000	70 000	144 000	43 000		125 000	85 000	120 000
32	Unpaid-in-Capital	103 000		101 000	152 000	96 000		99 000		90 000	159 000
33	Long-Term Bank Loans	112 000	165 000	191 000		166 000	78 000	137 000	–	83 000	
34	Long-Term Notes Payable		92 000		39 000	115 000	107 000	46 000	152 000	179 000	27 000
35	Long-Term Bonds Payable	198 000		93 000	137 000	48 000	109 000		39 000	9 000	100 000
36	Miscellaneous Long-Term Payables		192 000	195 000	–	40 000	68 000	112 000	125 000	103 000	35 000
37	Short-Term Bank Loans	122 000	89 000	190 000	64 000	180 000	76 000	120 000	60 000		–
38	Current Portion of Long-Term Debts	58 000				132 000	18 000			50 000	
39	Short-Term Notes Payable		18 000	178 000	138 000	108 000		144 000	95 000	18 000	26 000
40	Accounts Payable	121 000			193 000	163 000	192 000	64 000			
41	Tax Payable	43 000	132 000	146 000			11 000	143 000	139 000	20 000	47 000

Table 1.1 (the end)

1	2	3									
		1	2	3	4	5	6	7	8	9	10
42	Wages Payable	60 000		–	21 000	42 000	66 000	86 000	145 000	71 000	50 000
43	Accrued Dividends Payable		36 000	144 000	82 000	58 000				10 000	176 000
44	Unearned Revenue	43 000	15 000			9 000	143 000	108 000	36 000		
45	Accrued Interest Payable			74 000	30 000	59 000			155 000	180 000	25 000
46	Miscellaneous Short-Term Payables	112 000	35 000				103 000	191 000		62 000	96 000
47	Deferred Credits		34 000	126 000	140 000		105 000	53 000	139 000	63 000	1 000

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Table 1.2

### Beginning normal balance of accounts for cases 11 – 20

No.	Accounts	Amounts per cases, UAH									
		3									
1	2	11	12	13	14	15	16	17	18	19	20
1	Land	165 000	101 000	124 000	197 000	170 000	22 000	165 000	178 000	93 000	109 000
2	Buildings	151 000	129 000	176 000	74 000	140 000	46 000	126 000	4 000	178 000	158 000
3	Equipment & Machinery	37 000	92 000	98 000	64 000	72 000	176 000	176 000	3 000	148 000	8 000

Table 1.2 (continuation)

1	2	3									
		11	12	13	14	15	16	17	18	19	20
4	Vehicles	–	52 000	77 000	194 000	197 000	136 000	66 000	40 000	111 000	2 000
5	Tools, Devices and Implements	3 000	132 000	11 000	199 000	102 000	117 000	126 000	145 000	24 000	73 000
6	Miscellaneous Fixed Assets	123 000	162 000	43 000	6 000	–	53 000	106 000	83 000	71 000	75 000
7	Intangible Assets	60 000	24 000	74 000	113 000	60 000	182 000	172 000	28 000	122 000	147 000
8	Accumulated Depreciation	126 000	140 000	136 000	23 000	196 000	16 000	125 000	11 000	22 000	8 000
9	Capital Expenditures	28 000	70 000	101 000	18 000	7 000	189 000	1 000	192 000	59 000	44 000
10	Raw Materials	190 000	9 000	171 000	87 000	31 000	64 000	50 000	179 000	99 000	59 000
11	Purchased Semi-finished Products	135 000	166 000	181 000	174 000	29 000	27 000	95 000	71 000	112 000	127 000
12	Fuel	105 000	185 000	177 000	86 000	89 000	39 000	188 000	168 000	51 000	92 000
13	Building Materials	134 000	5 000	59 000	192 000	36 000	176 000	55 000	193 000	32 000	13 000
14	Spare Parts	124 000	182 000	63 000	110 000	26 000	194 000	87 000	153 000	154 000	12 000
15	Items of No Value and High-Wear Items	47 000	143 000	135 000	127 000	196 000	153 000	16 000	193 000	32 000	19 000
16	Work-in-Process	61 000	133 000	65 000	11 000	185 000	138 000	165 000	70 000	149 000	184 000
17	Finished Goods	130 000	136 000	189 000	100 000	62 000	185 000	163 000	29 000	137 000	144 000
18	Merchandise	56 000	14 000	168 000	147 000	174 000	150 000	152 000	164 000	68 000	134 000
19	Cash on Hand	178 000	104 000	50 000	171 000	144 000	137 000	78 000	70 000	200 000	160 000

Table 1.2 (continuation)

1	2	3									
		11	12	13	14	15	16	17	18	19	20
20	Cash at Bank	59 000	155 000	141 000	133 000	199 000	102 000	17 000	32 000	196 000	11 000
21	Short-Term Notes Receivable	48 000	15 000	170 000	99 000	128 000	89 000	111 000	138 000	72 000	50 000
22	Cash Equivalents	138 000	62 000	27 000	–	82 000	164 000	116 000	100 000	25 000	169 000
23	Accounts Receivable	170 000	129 000	19 000	102 000	59 000	63 000	32 000	177 000	126 000	164 000
24	Miscellaneous Receivables	167 000	61 000	159 000	157 000	168 000	51 000	21 000	121 000	20 000	132 000
25	Allowance for Uncollectable Accounts	85 000	90 300	5 700	81 600	5 900	18 900	12 800	53 100	25 200	49 200
26	Deferred Charges	99 000	24 000	22 000	114 000	132 000	17 000	168 000	37 000	8 000	15 000
27	Capital stock	275 000	574 700	507 300	1 042 400	1 158 100	543 100	893 200	606 900	779 800	419 800
28	Share Capital	159 000	66 000	67 000	200 000	17 000	65 000	61 000	80 000	7 000	129 000
29	Capital Reserves	82 000	56 000	97 000	118 000	76 000	113 000	181 000	150 000	159 000	31 000
30	Retained Earnings	161 000	107 000	57 000	183 000	112 000	140 000	7 000	98 000	154 000	20 000
31	Withdrawals	8 000	35 000	87 000	16 000	10 000	18 000	180 000	119 000	188 000	167 000
32	Unpaid-in-Capital	161 000	38 000	94 000	74 000	180 000	144 000	184 000	149 000	55 000	131 000
33	Long-Term Bank Loans	172 000	52 000	83 000	174 000	105 000	15 000	155 000	108 000	185 000	39 000

Table 1.2 (continuation)

1	2	3									
		11	12	13	14	15	16	17	18	19	20
34	Long-Term Notes Payable	51 000	69 000	167 000	43 000	53 000	194 000	116 000	192 000	169 000	53 000
35	Long-Term Bonds Payable	123 000	108 000	144 000	57 000	108 000	200 000	137 000	159 000	39 000	109 000
36	Miscellaneous Long-Term Payables	7 000	38 000	149 000	143 000	25 000	133 000	104 000	31 000	59 000	178 000
37	Short-Term Bank Loans	166 000	140 000	21 000	29 000	15 000	14 000	154 000	168 000	47 000	170 000
38	Current Portion of Long-Term Debts	43 000	90 000	19 000	37 000	13 000	180 000	19 000	123 000	6 000	81 000
39	Short-Term Notes Payable	131 000	89 000	55 000	54 000	26 000	148 000	160 000	72 000	83 000	194 000
40	Accounts Payable	65 000	45 000	99 000	35 000	155 000	152 000	38 000	178 000	66 000	178 000
41	Tax Payable	21 000	47 000	179 000	118 000	105 000	185 000	110 000	136 000	32 000	22 000
42	Wages Payable	177 000	199 000	145 000	24 000	132 000	196 000	132 000	32 000	11 000	195 000
43	Accrued Dividends Payable	162 000	174 000	159 000	41 000	46 000	85 000	36 000	185 000	176 000	70 000
44	Unearned Revenue	121 000	44 000	130 000	129 000	25 000	142 000	6 000	158 000	112 000	170 000
45	Accrued Interest Payable	55 000	7 000	192 000	84 000	161 000	161 000	133 000	153 000	111 000	19 000

Table 1.2 (the end)

1	2	3									
		11	12	13	14	15	16	17	18	19	20
46	Miscellaneous Short-Term Payables	200 000	152 000	162 000	99 000	43 000	–	38 000	75 000	90 000	200 000
47	Deferred Credits	195 000	70 000	107 000	50 000	101 000	131 000	198 000	67 000	197 000	64 000

Table 1.3

### Beginning normal balance of accounts for cases 21 – 30

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No.	Accounts	Amounts per cases, UAH									
		3									
1	2	21	22	23	24	25	26	27	28	29	30
1	Land	153 000	126 000	23 000	180 000	77 000	194 000	128 000	135 000	148 000	20 000
2	Buildings	45 000	194 000	13 000	186 000	29 000	33 000	145 000	116 000	7 000	52 000
3	Equipment & Machinery	139 000	22 000	152 000	8 000	115 000	157 000	8 000	53 000	80 000	2 000
4	Vehicles	45 000	120 000	12 000	99 000	16 000	45 000	193 000	139 000	188 000	92 000
5	Tools, Devices and Implements	81 000	129 000	37 000	168 000	97 000	29 000	22 000	80 000	48 000	86 000
6	Miscellaneous Fixed Assets	94 000	134 000	21 000	195 000	102 000	104 000	62 000	151 000	48 000	25 000
7	Intangible Assets	131 000	97 000	19 000	138 000	174 000	65 000	34 000	49 000	106 000	24 000

Table 1.3 (continuation)

1	2	3									
		21	22	23	24	25	26	27	28	29	30
8	Accumulated Depreciation	122 000	25 000	162 000	140 000	89 000	104 000	183 000	148 000	83 000	32 000
9	Capital Expenditures	149 000	183 000	158 000	54 000	157 000	32 000	32 000	156 000	180 000	99 000
10	Raw Materials	83 000	59 000	45 000	37 000	41 000	147 000	11 000	179 000	127 000	124 000
11	Purchased Semi-finished Products	168 000	130 000	65 000	71 000	59 000	162 000	69 000	50 000	136 000	94 000
12	Fuel	173 000	105 000	184 000	34 000	106 000	13 000	113 000	37 000	85 000	155 000
13	Building Materials	64 000	26 000	39 000	164 000	135 000	172 000	131 000	74 000	111 000	103 000
14	Spare Parts	30 000	65 000	33 000	38 000	91 000	57 000	83 000	17 000	2 000	127 000
15	Items of No Value and High-Wear Items	167 000	195 000	176 000	68 000	33 000	141 000	133 000	143 000	23 000	30 000
16	Work-in-Process	132 000	9 000	59 000	162 000	172 000	101 000	41 000	81 000	43 000	186 000
17	Finished Goods	57 000	97 000	182 000	23 000	175 000	156 000	48 000	140 000	143 000	24 000
18	Merchandise	20 000	200 000	30 000	195 000	176 000	100 000	179 000	103 000	193 000	149 000
19	Cash on Hand	48 000	107 000	144 000	101 000	21 000	121 000	58 000	61 000	42 000	188 000
20	Cash at Bank	146 000	49 000	157 000	122 000	188 000	170 000	134 000	72 000	188 000	173 000
21	Short-Term Notes Receivable	123 000	34 000	11 000	137 000	1 000	3 000	190 000	140 000	83 000	194 000
22	Cash Equivalents	117 000	6 000	164 000	52 000	54 000	139 000	–	–	47 000	59 000
23	Accounts Receivable	32 000	43 000	143 000	92 000	164 000	28 000	164 000	37 000	56 000	144 000

Table 1.3 (continuation)

1	2	3									
		21	22	23	24	25	26	27	28	29	30
24	Miscellaneous Receivables	34 000	78 000	56 000	105 000	108 000	48 000	107 000	135 000	16 000	139 000
25	Allowance for Uncollectable Accounts	3 200	12 900	57 200	18 400	32 800	2 800	131 200	11 100	5 600	–
26	Deferred Charges	180 000	144 000	194 000	–	19 000	40 000	–	187 000	32 000	195 000
27	Capital stock	1 074 800	556 100	795 800	725 600	563 200	910 200	208 800	381 900	90 400	796 000
28	Share Capital	149 000	142 000	85 000	185 000	12 000	23 000	116 000	86 000	97 000	–
29	Capital Reserves	166 000	11 000	162 000	152 000	69 000	79 000	45 000	191 000	197 000	188 000
30	Retained Earnings	8 000	122 000	15 000	104 000	72 000	172 000	59 000	49 000	81 000	46 000
31	Withdrawals	179 000	117 000	178 000	26 000	161 000	173 000	154 000	181 000	108 000	134 000
32	Unpaid-in-Capital	95 000	20 000	122 000	8 000	68 000	118 000	46 000	20 000	49 000	101 000
33	Long-Term Bank Loans	12 000	153 000	4 000	127 000	77 000	54 000	84 000	107 000	160 000	66 000
34	Long-Term Notes Payable	53 000	62 000	31 000	97 000	62 000	51 000	200 000	125 000	11 000	200 000
35	Long-Term Bonds Payable	106 000	46 000	9 000	32 000	173 000	112 000	8 000	166 000	117 000	150 000
36	Miscellaneous Long-Term Payables	146 000	38 000	47 000	–	180 000	155 000	125 000	71 000	13 000	92 000



Table 1.3 (the end)

1	2	3									
		21	22	23	24	25	26	27	28	29	30
37	Short-Term Bank Loans	59 000	67 000	183 000	194 000	115 000	113 000	79 000	163 000	91 000	82 000
38	Current Portion of Long-Term Debts	44 000	1 000	28 000	52 000	161 000	42 000	55 000	150 000	36 000	141 000
39	Short-Term Notes Payable	6 000	151 000	36 000	9 000	141 000	121 000	36 000	123 000	191 000	118 000
40	Accounts Payable	12 000	199 000	175 000	155 000	40 000	140 000	88 000	31 000	134 000	150 000
41	Tax Payable	51 000	125 000	39 000	9 000	32 000	101 000	104 000	121 000	196 000	166 000
42	Wages Payable	143 000	116 000	52 000	45 000	116 000	79 000	167 000	175 000	189 000	23 000
43	Accrued Dividends Payable	140 000	107 000	60 000	96 000	87 000	91 000	183 000	48 000	135 000	118 000
44	Unearned Revenue	136 000	191 000	76 000	77 000	181 000	51 000	125 000	7 000	33 000	37 000
45	Accrued Interest Payable	99 000	76 000	153 000	126 000	101 000	45 000	148 000	71 000	80 000	84 000
46	Miscellaneous Short-Term Payables	30 000	157 000	165 000	27 000	56 000	18 000	109 000	169 000	153 000	195 000
47	Deferred Credits	125 000	131 000	82 000	92 000	179 000	84 000	31 000	142 000	196 000	35 000

## **Theme 2. The subject and the method of accounting.**

### **The forms of accounting**

The accounting method consists of four main elements.

1) The elements of the primary observation. These include documentation and inventory. The results of the primary observations should be fixed in a tangible medium of information. Consequently, the documentation is a tool for recording the results of observations of the objects of accounting. Inventory is a way of comparing the actual resources of the enterprise, the sources of their foundation, and business processes on the referenced data. Thus, documentation, and inventory provide control over the preservation of the objects of accounting.

2) The elements of value measurement. These include evaluation and calculation. Evaluation is a way of measuring monetary objects of accounting. To manage the operational processes it is necessary to have information about the company costs per unit of production and services. Such information can be obtained by using calculation. Calculation is a method of calculating the cost of goods, works and services.

3) The elements of interrelated presentation, generalization, and commensuration of information about the objects of accounting. These include accounts and double entry. Accounts is the way to show the presence and movements of the objects of accounting. Double entry is the way to show in the accounts various changes occurring in the enterprise resource, the sources of their education, and business processes after each business transaction.

4) The elements of complete generalization of information about the objects of accounting. These include balance and financial statements. Balance is a way of grouping and summarizing the availability of the enterprise resources, their sources of education and economic processes at a specified date in the money measurement unit. Periodic synthesis of information on business processes, and other important accounting policies is provided in the financial statements. Financial statements is the way to estimate the total results of the enterprise activity at a certain period of time.

The balance sheet shows a picture of the business at a particular moment of time. According to the National Accounting Standards of Ukraine the balance sheet is the table on the left side of which the assets are listed, on the right side – the equity and liabilities are listed. The current assets are

totalled and then added to the total of the long-term assets to give total assets. Likewise, the current liabilities are totalled and added to the total of the stockholders' equity to give total equities. Total equities and total assets should be equal. The balance equation is:

$$A = E \quad (2.1)$$

where: A means the assets of an enterprise;

E means the equities of an enterprise, which consist of stockholders' equity, liabilities and deferred credits.

The balance account is an accounting symbol that is used for recording and summarizing increase or decrease in certain types of income, expenses, assets, liabilities and equity of the enterprise or organization. A listing of the accounts of an entity, along with any identification coding is named a chart of accounts. Similarly to the balance sheet, accounts are divided into real and nominal.

Real accounts are accounts, which are used to record changes in the assets of the enterprise. Debits increase these accounts and credits decrease these accounts. These accounts normally carry a debit balance.

Nominal accounts are used to reflect mostly shareholders' equity and liabilities. Liability, revenue and equity accounts each follow rules that are the opposite of those for real accounts. Credits increase passive accounts while debits result in decreases. These accounts normally carry a credit balance.

The relationship between accounts is provided by the use of the double entry method. Double entry is the way of the dual representation of economic operations in the same quantity, expressed in a common monetary measuring unit, simultaneously in two or more interrelated accounts. The record to indicate the accounts, which should show reflect the business operation and its amount, is called the book entry. Each account can be further subdivided into subsets. The general ledger account total is said to be the control account or control ledger, as it represents the total of all individual subsidiary account balances. It is imperative that a company be able to reconcile subsidiary accounts to the broader account that is found in the general ledger.

## **Task 2**

Use subsidiary accounts to analyze movement of property, plant and equipment (Table 2.1), work-in-process (Table 2.2) and cash at the bank account (Table 2.3).



### **Theme 3. Accounting of business transactions**

A recordable transaction should be evidenced by a source document. The source documents are analyzed to determine the nature of a transaction and what accounts are impacted. Source documents should be retained (perhaps in electronic form) as an important part of the records supporting the various debits and credits that are entered into the accounting records.

A properly designed accounting system will have controls to make sure that all transactions are fully captured.

A log book that contains a chronological listing of a company transactions and events is called the accounting journal. The accounting journal contains information about detailed accounting transactions. In contrast, the general ledger contains information for each and every account in use by a company.

Organizing the accounting system, ensuring fixation of all business transactions by the back-up documents, safety and security of primary documents, accounting registers and financial statements within the prescribed period rest with the head of a company or its owner.

The company determines the accounting policy on its own. Accounting policy is a set of principles, methods and procedures used for compiling and presenting financial statements. The company chooses the form of the accounting system, defines the rights of executives to sign the accounting documents, ratifies the processing technology of the accounting information, introduces an additional system of accounts and registers of analytical accounting.

Generalizing, cash includes items that are acceptable to a bank for deposit and are free from restrictions (i.e., available for use in satisfying current debts). Cash typically includes coins, currency, funds on deposit with a bank. Items like postdated checks, certificates of deposit, stamps, and travel advances are not classified as cash.

Cash equivalents arise when companies place their cash in very short-term financial instruments that are deemed to be highly secure and will convert back into cash within 90 days (e.g., short-term government-issued treasury bills). These financial instruments are usually very marketable in the event the company has an immediate need for cash.

To account for the presence and movements of cash on hand a company uses a synthetic account 30 – "Cash on hand", which has the

following sub-accounts: 301 – "Cash in the national currency" and 302 – "Cash in foreign currency". Cash disbursements are recorded on the credit of account 30, and reflected in Journal 1 (Section 1). Turnover on the debit of the account is written in different Journals and, moreover, are controlled by Register 1.1.

To conduct settlements with suppliers and customers, to store main amounts of cash current accounts are used. A current account is an account, that was opened by a bank to an enterprise on a contractual basis for the storage of cash and cash settlement using payment instruments in accordance with the requirements of the legislation.

Receiving and withdrawals of cash or cashless transfers are based on the documents of a special form approved by the National Bank of Ukraine. Of these, the most common are: cash checks, money orders, payment order-requests.

To identify errors, irregularities, and adjustments for the cash account the bank reconciliation is conducted. The reconciliation compares the amount of cash shown on the monthly bank statement (the document received from a bank which summarizes deposits and other credits, and checks and other debits) with the amount of cash reported in the general ledger. These two balances will frequently differ. Differences are caused by items reflected on company records but not yet recorded by the bank; examples include deposits in transit (a receipt entered on company records but not processed by the bank) and outstanding checks (checks written which have not been cleared by the bank). Other differences relate to the items noted on the bank statement but not recorded by the company; examples include bank service charges, notes receivable collected by the bank on behalf of the company, and interest earnings. This reconciliation will trigger various adjustments to the cash account in the company ledger.

The methodological principles of accounting for inventories are defined in the NSAU 9 "Inventories".

Manufactured inventories are enlisted in the balance sheet at the original cost which consists of the incurred cost of production. The original cost of inventories purchased for a payment consists of the following charges: payment to the supplier minus VAT and excise tax; import duty; freight-in and insurance-in; procurement cost and other charges directly connected to the purchase of inventories and finishing them up to a condition of suitability for use for the planned purposes.

The methods of inventory valuation from which to choose are varied, generally consisting of one of the following: the specific identification, the standard cost, the retail method, first-in, first-out (FIFO), average cost.

The specific identification method requires a business to identify each unit of merchandise with the unit's cost and retain that identification until the inventory is sold. Once a specific inventory item is sold, the cost of the unit is assigned to the cost of the goods sold.

The standard cost is the predetermined budgeted cost of a regular manufacturing process.

The retail method is widely used by merchandising firms to value or estimate the ending inventory. This method would only work where a category of inventory has a consistent mark-up. The cost-to-retail percentage is multiplied by the ending inventory at retail. The ending inventory at retail can be determined by a physical count of goods on hand, at their retail value.

With first-in, first-out, the oldest cost is matched against revenue and assigned to the cost of the goods sold. Conversely, the most recent purchases are assigned to the units in the ending inventory.

The average cost method relies on the average unit cost to calculate the cost of the units sold and the ending inventory. The average cost is determined by dividing the total cost of goods available for sale by the total units available for sale.

The accounting for receivables is based on the NSA 10 "Receivables".

Receivables are the sums, that are due from debtors for a certain date. The debts of the buyers and customers are recognized as an asset simultaneously with the recognition of the sale. Uncollectible accounts are frequently called "bad debts".

According to the NSA, two approaches can be applied to uncollectibles:

1) the direct write-off method – under this technique, a specific account receivable is removed from the accounting records at the time it is finally determined to be uncollectible;

2) the allowance method will result in the recording of an estimated bad debts expense in the same period as the related credit sales. Allowance for uncollectibles can be determined by one of the following techniques: via an aging analysis or as a percentage of total receivables.

Property, plant, and equipment are the physical assets deployed in the productive operation of the business more than 1 year or the operational cycle of business. Using-up of a fixed asset necessitates depreciation.

The depreciation method is the pattern by which the cost is allocated to each of the periods involved in the service life. The depreciation methods are the following: the straight-line method, the declining balance depreciation method, the accelerated declining balance depreciation method, the cumulative method, the units-of-output method.

### Task 3

Prepare the summary journal entries (Table 3.1) for business transactions of the referenced period based on the information contained in Tables 3.2 – 3.3.

Table 3.1

### General journal

No.	The content of the transactions	Debit	Credit	The amount, UAH
1	2	3	4	5
1	Received bank loan to the current account			
2	Paid to company A for supplies			
3	Paid to company B for supplies			
4	Started operation with PPE			
5	Received PPE for free			
6	Received PPE for free (amount of depreciation)			
7	Revealed non-recorded PPE during stocktaking			
8	Transferred PPE for free			
9	Transferred PPE for free (amount of depreciation)			
10	Received supplies from company A			
11	Received supplies from company B			
12	Used materials in production of goods A			
13	Used materials in production of goods B			
14	Received short-term bank loan			
15	Accrued wages for production personnel			
16	Accrued wages for quality control personnel			
17	Accrued wages for middle management			
18	Accrued wages for top management			
19	Accrued social tax on production personnel wages			
20	Accrued social tax on quality control personnel wages			
21	Accrued social tax on middle management wages			
22	Accrued social tax on top management wages			
23	Used finished goods A in subsidiary production process			



Table 3.1 (the end)

1	2	3	4	5
24	Accrued depreciation on productive PPE			
25	Accrued depreciation on subsidiary productive PPE			
26	Accrued depreciation on PPE employed by productive management			
27	Accrued depreciation on PPE employed by top management			
28	Increased cost of production by overheads			
29	Finished production of goods			
30	Accrued cost of goods sold			
31	Received cash back from internal advance holder			
32	Accrued revenue for goods sold			
33	Received payment for goods sold			
34	Collected payment on outstanding receivables			
35	Collected foreign cash payment for goods sold			
36	Transferred foreign cash for cash exchange			
37	Received cash from cash exchange transaction			
38	Accrued gains (losses) of cash exchange transaction			
39	Received cash from regular check account			
40	Reduced accounts payable from company A			
41	Reduced accounts payable from company B			
42	Paid wages			
43	Paid social tax on wages			
44	Issued stock			
45	Received cash from share holder			
46	Accrued dividends			
47	Paid dividends to share holder			
48	Determined cost of PPE intended for sale			
49	Closed accumulated depreciation of PPE intended for sale			
50	Accrued revenue for sold PPE on account			
51	Accrued cost of sold PPE			
52	Collected payment for sold PPE			
53	Closed expense (loss) accounts to the Income Summary			
54	Closed revenue (gains) accounts to the Income Summary			
55	Accrued income tax			
56	Paid income tax			
57	Closed Income Summary account to retained earnings (losses)			

Table 3.2

**The amounts of the business transactions in the referenced period for cases 1 – 15**

No.	Amounts per cases, UAH														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	14 400	10 000	6 000	3 400	8 800	14 200	1 800	12 900	19 300	9 000	18 900	3 700	11 400	2 700	9 600
2	12 500	16 200	8 000	1 800	13 600	10 900	2 200	5 000	13 600	10 300	7 100	16 900	17 800	6 200	12 600
3	3 700	11 100	1 000	14 700	3 900	19 400	18 300	500	14 000	300	12 900	5 100	8 600	19 900	12 900
4	9 600	12 200	18 500	4 700	13 500	3 400	6 400	3 200	16 200	16 800	5 100	8 500	8 800	4 900	15 600
5	9 000	1 200	15 900	18 200	8 100	15 700	3 800	12 000	5 400	17 300	6 100	7 700	6 600	2 400	16 100
6	900	120	1 590	1 820	810	1 570	380	1 200	540	1 730	4 270	–	4 620	240	9 660
7	16 800	4 700	11 700	13 600	19 800	2 200	1 500	15 500	19 800	3 600	16 300	1 200	300	6 400	13 000
8	17 400	5 900	10 100	19 100	13 100	2 900	14 900	12 900	2 100	10 300	17 900	13 900	2 800	15 400	1 800
9	800	19 700	16 100	3 500	13 800	3 200	1 400	14 900	17 600	15 600	7 300	2 500	18 500	15 200	13 900
10	15 700	8 300	5 900	6 100	17 000	11 700	8 000	7 400	16 100	15 700	16 600	10 800	10 000	15 200	18 400
11	18 300	8 500	6 000	14 500	11 000	16 200	17 100	11 200	10 800	4 000	17 900	9 000	12 100	4 300	5 300
12	2 900	7 700	5 100	8 700	11 100	5 600	14 700	10 700	12 300	18 400	2 500	800	4 900	10 100	18 100
13	13 000	12 200	17 500	5 000	14 100	9 400	18 900	5 700	13 300	14 400	7 100	2 500	12 800	3 300	18 200
14	6 800	13 800	17 800	10 700	9 400	10 200	18 300	6 200	13 800	19 300	5 000	16 600	11 100	14 700	19 700
15	13 800	12 300	15 100	1 100	16 600	12 500	8 400	1 100	7 200	15 200	7 100	9 400	5 500	18 000	10 900
16	11 500	7 300	3 000	6 900	19 800	6 800	12 600	2 500	14 300	3 600	19 700	19 900	9 800	7 100	18 500
17	13 400	3 900	15 000	6 700	3 000	8 800	14 200	10 800	11 700	17 400	13 300	4 800	4 100	4 700	13 100
18	13 900	7 700	8 600	1 100	6 300	7 800	9 000	18 500	3 000	18 500	14 600	12 800	2 900	6 100	3 200
23	13 100	300	19 700	14 100	1 800	1 200	17 000	1 100	9 700	15 100	18 300	17 800	9 100	13 600	8 300
24	13 500	13 600	7 700	3 200	1 600	2 800	13 200	10 900	2 500	17 300	5 500	19 700	18 300	600	10 400

Table 3.2 (the end)

No.	Amounts per cases, UAH														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
25	19 600	9 900	18 400	14 700	17 300	500	7 900	300	17 300	4 000	15 700	16 900	19 100	11 100	8 700
26	14 800	9 900	2 800	8 500	1 300	900	2 500	19 900	1 800	19 500	2 300	300	14 200	19 000	8 600
27	4 600	2 000	15 100	10 000	9 400	–	19 200	2 800	8 000	11 400	10 900	10 900	19 900	8 000	14 500
28	8 700	5 500	19 800	16 200	11 500	200	10 100	19 500	7 900	13 800	9 700	13 900	4 500	13 200	6 500
31	–	–	143 000	125 000	–	114 000	–	–	14 000	159 000	15 200	8 300	13 600	500	4 700
32	18 500	6 500	–	18 500	1 200	18 400	10 000	1 700	3 400	–	19 100	8 900	1 300	1 100	8 000
33	5 100	8 600	11 500	13 600	16 200	1 100	14 600	19 600	1 200	2 300	4 600	10 900	4 800	5 900	18 800
34	11 000	8 800	3 600	11 700	1 100	18 600	16 100	4 900	9 000	9 600	700	19 400	12 200	13 200	13 700
35	9 200	1 900	14 500	10 800	1 800	9 600	6 100	9 100	300	11 700	13 100	4 500	15 400	12 100	18 300
36	8 600	11 500	4 700	10 100	12 400	16 200	4 700	9 800	11 900	4 800	19 000	17 200	14 100	14 000	13 400
37	8 798	11 765	4 808	10 332	12 685	14 953	4 808	10 025	10 984	4 910	2 100	4 900	7 900	19 800	15 200
38	18 500	18 600	5 100	6 700	8 800	17 200	19 800	5 100	16 300	7 600	17 600	5 100	13 900	12 700	12 900
39	10 400	15 500	17 900	10 500	17 400	19 600	3 700	8 700	19 000	5 200	10 300	2 900	18 900	7 800	9 700
40	15 700	8 300	5 900	6 100	17 000	11 700	8 000	7 400	16 100	15 700	16 600	10 800	10 000	15 200	18 400
41	18 300	8 500	6 000	14 500	11 000	16 200	17 100	11 200	10 800	4 000	17 900	9 000	12 100	4 300	5 300
44	8 900	15 500	14 500	18 100	13 900	18 200	5 600	10 000	3 200	2 700	3 400	1 500	18 900	10 700	5 700
45	5 000	2 100	6 100	200	18 700	16 300	7 000	4 400	6 900	6 200	7 100	400	13 000	17 300	1 100
46	16 600	13 300	16 100	13 700	14 900	9 800	13 900	4 700	14 000	4 100	15 200	9 500	14 100	19 400	3 400
47	17 000	10 000	100	16 200	17 900	2 900	9 500	2 700	1 500	7 600	10 700	13 700	12 000	18 800	5 200
48	8 900	12 200	17 200	14 400	3 100	6 600	3 900	18 700	15 700	11 200	18 900	16 600	18 700	12 600	19 100
49	14 400	10 000	6 000	3 400	8 800	14 200	1 800	12 900	19 300	9 000	3 900	4 900	15 800	2 400	5 200
50	12 500	16 200	8 000	1 800	13 600	10 900	2 200	5 000	13 600	10 300	1 900	2 700	13 400	10 300	2 800

Table 3.3

**The amounts of the business transactions in the referenced period for cases 16 – 30**

No.	Amounts per cases, UAH														
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1	500	9 800	19 100	15 500	12 200	10 600	4 100	3 700	15 000	9 000	18 000	15 000	12 500	16 800	7 500
2	17 000	2 500	8 900	1 100	7 500	1 200	10 300	4 300	6 800	4 100	16 300	13 400	18 300	10 600	800
3	16 700	5 600	15 800	5 800	1 900	5 300	3 100	16 100	3 300	10 600	2 100	16 800	13 500	5 900	9 700
4	19 200	18 900	9 400	11 300	4 100	5 100	10 500	9 100	10 800	8 600	3 200	10 800	8 500	11 900	9 100
5	14 900	100	5 100	9 500	3 200	3 000	16 500	14 300	3 700	2 600	3 800	16 200	7 200	17 000	19 100
6	10 430	40	2 550	5 700	–	2 100	–	5 720	2 590	1 040	1 900	8 100	720	10 200	9 550
7	19 000	900	9 700	7 500	2 900	3 100	3 500	11 700	7 000	15 100	3 200	4 700	9 200	7 100	100
8	15 700	1 100	16 700	1 600	15 800	1 700	11 900	9 500	2 000	8 600	4 600	9 100	9 700	15 200	9 700
9	16 300	7 400	17 300	3 800	14 700	14 700	16 200	12 700	3 500	14 900	3 900	7 000	9 600	13 100	7 100
10	8 600	800	2 100	9 700	3 700	11 600	3 500	6 500	11 700	12 300	7 300	500	4 100	14 300	7 900
11	200	7 800	9 600	7 800	17 300	13 000	11 300	17 800	4 700	18 700	17 700	18 500	6 400	9 400	15 800
12	9 600	2 900	8 300	6 800	3 100	16 700	6 300	600	18 600	3 600	19 100	12 900	11 400	5 000	6 800
13	12 400	4 200	18 400	17 100	1 500	15 500	8 000	16 300	1 200	19 200	11 500	7 500	900	19 300	19 900
14	5 400	9 300	19 400	11 100	19 200	9 500	6 100	12 100	2 200	2 100	13 700	12 800	1 200	17 900	5 700
15	7 800	9 300	10 000	8 400	8 200	2 600	8 800	10 300	9 500	16 200	1 700	5 900	9 500	10 400	3 400
16	700	7 100	12 300	5 200	10 000	17 100	19 200	7 500	19 900	16 700	19 500	13 500	17 100	12 500	15 200
17	6 200	6 000	9 700	11 000	19 400	18 400	1 000	13 700	8 000	12 200	10 900	8 300	7 500	19 200	10 700
18	16 700	14 500	1 700	2 300	20 000	12 900	20 000	4 200	11 600	4 100	13 300	7 000	1 900	1 900	4 100
23	14 100	14 000	13 400	16 000	9 900	6 700	12 500	15 700	9 200	14 000	17 200	6 500	15 800	3 100	500
24	12 200	11 200	8 100	4 800	16 500	700	11 600	1 800	9 500	5 500	7 100	17 000	9 600	4 900	1 600

Table 3.3 (the end)

No.	Amounts per cases, UAH														
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
25	13 500	6 700	12 800	8 400	16 500	18 400	14 700	1 400	900	11 600	9 700	20 000	4 200	7 300	12 800
26	1 100	13 700	13 000	6 800	19 300	12 200	18 700	19 700	9 300	7 600	5 100	12 700	18 700	16 000	11 500
27	4 500	7 800	6 400	18 200	5 500	600	17 100	18 400	15 600	3 100	12 000	4 900	18 500	19 000	11 800
28	8 400	5 700	6 300	11 300	9 700	300	17 000	2 300	7 100	19 400	8 600	5 800	18 300	2 800	11 000
31	9 300	1 500	19 400	2 500	4 100	5 800	19 700	11 200	19 800	9 300	3 100	10 600	11 100	16 100	2 600
32	2 300	19 300	8 000	15 000	9 900	14 700	13 600	8 200	2 900	4 900	2 200	7 100	4 400	5 900	5 300
33	10 400	19 000	4 000	12 400	800	4 800	13 900	16 000	10 000	4 300	14 900	9 300	14 200	6 900	9 600
34	9 000	17 100	15 100	1 700	16 700	12 200	19 000	14 400	2 900	10 900	10 500	8 700	6 600	6 500	4 500
35	11 800	4 100	16 800	11 100	4 100	7 500	6 700	8 600	17 700	5 100	7 200	6 700	8 600	2 800	14 400
36	300	5 100	7 900	8 200	16 000	17 900	8 400	14 200	14 300	16 300	16 600	16 200	15 000	13 700	9 100
37	12 600	15 700	8 100	800	11 900	3 600	800	16 000	2 000	4 600	18 800	1 400	6 600	15 700	10 000
38	4 100	7 000	10 800	19 300	4 400	11 900	19 100	200	12 600	16 400	19 200	9 800	17 000	2 000	7 300
39	15 400	10 400	2 400	9 800	13 600	11 600	14 500	19 100	2 600	12 800	500	6 200	15 000	2 400	13 300
40	8 600	800	2 100	9 700	3 700	11 600	3 500	6 500	11 700	12 300	7 300	500	4 100	14 300	7 900
41	200	7 800	9 600	7 800	17 300	13 000	11 300	17 800	4 700	18 700	17 700	18 500	6 400	9 400	15 800
44	14 600	16 100	13 800	6 200	19 700	6 600	11 500	6 500	12 700	11 800	6 800	10 300	2 100	12 400	8 700
45	4 300	700	7 600	19 100	4 300	12 700	4 800	13 600	12 700	17 200	6 400	6 400	900	16 800	1 100
46	600	3 500	17 700	5 500	9 000	15 000	11 000	16 600	14 200	5 400	9 800	16 700	11 200	19 400	2 200
47	5 000	1 000	1 000	18 000	7 800	1 300	5 300	18 900	14 800	3 300	13 400	11 400	18 700	4 700	15 700
48	7 800	9 400	19 900	9 000	100	19 800	7 700	8 500	14 700	500	4 600	8 300	7 900	4 000	16 400
49	9 400	1 800	400	600	18 100	6 000	18 200	7 700	8 900	2 300	14 500	9 500	7 000	11 000	9 800
50	900	8 400	12 200	18 700	3 400	7 800	8 500	2 400	4 000	14 100	15 700	3 000	19 900	10 400	18 600

## **Module 2. The methodology and technology of reporting**

### **Theme 4. Statements and their types**

The purpose of compiling the financial statements is to provide users with complete, true, unbiased information about financial results, activities and financial position of the company. So, financial statements of the company include:

1. The balance sheet (the statement of financial position).
2. The statement of financial results (the income statement).
3. The cash flow statement (by direct method).
4. The stockholders' equity statement.
5. The notes to the financial statements.

The specified composition of the financial statements established by the National Accounting Standards of Accounting (NSAU) 1 "The General Requirements for Financial Statements" does not contradict the requirements of the International Accounting Standards (IAS).

As required by law, the reporting period for the preparation of financial statements is a calendar year. The balance sheet of the enterprise is prepared at the end of the last day of the reporting period, that is, on March 31, June 30, September 30 and December 31, of the reporting year.

The main elements of the financial statements, directly related to the definition of the financial position, are assets, liabilities, capital. Each item of financial statements in accordance with the NSAU 1 may be presented in the accounts if:

- a) there is a probability of receiving (disposing) future economic benefits;
- b) the evaluation of the article can be reliably determined.

Qualitative characteristics make the information presented in the financial statements useful to users. At the same time, the four main qualitative characteristics of financial reporting are clarity, relevance, reliability and comparison.

#### **Task 4**

Prepare the turnover balance sheet as of the end of the referenced period, based on the information in Tables 1.1 – 1.3 and 3.2 – 3.3.

## **Theme 5. Formation of financial statements**

The balance sheet is a statement of financial position of an enterprise that reflects its assets, liabilities and equity on a certain date. The balance sheet of an enterprise is compiled according to the data of the balances, which are on the accounts of synthetic accounting which are concentrated in the general ledger and the turnover balance sheet.

According to the NSAU 1, the statement of financial results (the income statement) is a statement of income, expenses and total income. The statement of financial results consists of the title part and four sections: 1) the financial results; 2) the cumulative income; 3) the elements of operating expenses; 4) calculation of the rates of return on shares. The first section of the report provides information that makes it possible to identify gains (losses) from ordinary activities, such as operating and other activities, including financial and investment activities.

The cash flow statement contains information on the company's cash flows in the reporting period. Cash flows are the receipt and expenditure (transfer) of cash and cash equivalents. The form of the report shows the cash flow of the company in terms of three types of activities: operational, investment and financial. The purpose of compiling the cash flow statement is to provide users with complete, true and unbiased information about the changes in cash of the enterprise and its equivalents in the reporting period. Such information allows determining the ability of an enterprise to generate cash inflows by its activities, it is used to assess the needs of the entity in relation to the area and extent of the use of cash flows.

The purpose of compiling the statement of equity is to disclose information about the changes in the equity of the enterprise during the reporting period. Changes in the equity of the enterprise between two reporting periods reflect the increase/decrease of net assets during the reporting period, depending on the accepted methods of estimation.

### **Task 5**

Prepare statements as of the end of the referenced period according to the National Standards of Accounting of Ukraine based on the information in Tables 1.1 – 1.3 and 3.2 – 3.3.

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НАВЧАЛЬНЕ ВИДАННЯ

# БУХГАЛТЕРСЬКИЙ ОБЛІК ТА ЗВІТНІСТЬ

**Методичні рекомендації  
до виконання практичних завдань  
для студентів спеціальності  
292 "Міжнародні економічні відносини"  
першого (бакалаврського) рівня**

**(англ. мовою)**

*Самостійне електронне текстове мережеве видання*

Укладач **Прокопішина Олена Вікторівна**

Відповідальний за видання *А. А. Пилипенко*

Редактор *З. В. Зобова*

Коректор *З. В. Зобова*

Подано завдання для набуття знань і розвитку навичок практичної роботи зі спеціальною літературою, оволодіння та поглиблення досвіду з розв'язання завдань із навчальної дисципліни, що вивчається.

Рекомендовано для студентів бакалаврського рівня, що навчаються за освітньою програмою "Міжнародний бізнес".

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