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ACCOUNTING OF FIXED ASSETS IN AGRICULTURAL ENTERPRISES: PROBLEMS AND WAYS OF ITS IMPROVEMENT

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The current status of accounting of fixed assets in agricultural enterprises is analyzed. The major problems associated with accounting of fixed assets are identified and assessed. Conclusions about the need for improvement of accounting of fixed assets for their long-term use are drawn.

Property and equipment is one of the most important factors of any production, from their condition and efficiency the outcomes of economic activity depend on. The deep crisis in the economy, poor depreciation policy led to a decline of investment activity in the economy overall and individual enterprises and increasing the depreciation of fixed assets.

Under the conditions of transitive economy renewal of fixed assets requires relevant investments.

In investing activities the problem of forming the sources of investment resources has a special importance.

Practice of management shows that this process is rather complicated, as it suggests the use of several different in its economic essence sources: internal and external. At the state level such source is the gross domestic product.

An important contribution to the development of theoretical foundations and methodological approaches to accounting, analysis and control of fixed assets was made by leading scientists-economists: S. Golov, L. Gorodianska, V. Zhuk, Z. Zadorozhnyi [8], G. Kireitsev, Y. Krupka, L. Suk, P. Suk, S. Khoma, N.I. Dorosh, A. Borysov, F. Butynets, R. Khomiak and others.

However, their results of research on improving accounting-analytical maintenance of fixed assets, particularly in relation to the management of fixed assets are insufficient and should be improved and refined.

Research Methodology. The methodological basis of research is a conceptual framework and accounting standards.

In the conducted analysis of problems concerning accounting of fixed assets analytic, monographic, comparative methods and abstract – logical approaches to the construction of accounting in agricultural enterprises were used.

The sources of information were the information of the accounting and financial documents in agricultural enterprises of Zvenygorodka district.

Research results. Accounting of fixed assets is an important link in the field of

accounting and reporting. Its improvement largely can lead to positive changes in the enterprise activity and social – economic life of the country.

The organization of any business activity begins with the formation of material and technical basis, lack of which makes it impossible to conduct business enterprises.

Due to the low level of technical support annually in Ukraine about 4 million hectares of arable land are not handled, and those that are processed, give low yields. According to the results of scientific research A.V. Blokha notes that due to outdated and inefficient combine harvesters in Ukraine every year about 5 million tons of grain are lost, equivalent to \$ 800 million [2].

Functioning of economic unit is accompanied not only posting, but disposal of fixed assets, which occurs in different ways.

In view of the role of place of fixed assets in the enterprise activity, in the scientific literature much attention is paid to the theoretical and practical aspects of accounting, but no consensus on how to identify the content of the term “fixed assets” and ways of disposal of this type of assets, has not been achieved by scientists.

In the Internal Revenue Code, in turn, they gave up the notion of “equity” in favor of “assets”, which indicates the proximity of the Code with the provisions of accounting.

However, this approach is not complete, because the monetary limit of the classification of fixed assets remained, although increased from UAH 1000 to UAH 2500.

Comparing the definitions presented in R (S) A and international standards it can be concluded about their similarity which is due to the fact that when writing the Ukrainian accounting standards, international standards were used as a basis [15].

The most topical issue of accounting of fixed assets is their classification.

In the Tax Code of Ukraine 16 groups of fixed assets are indicated, which name coincides with the sub-accounts of accounting and practically repeats the classification of P (S) A 7.

The above classification has some differences, including no separate group called “Other non-current assets” that would meet the data of sub-account 117 “Other non-current assets”.

Based on the logic, these assets must belong to a group of 9 “Other fixed assets”.

Same time to the classification a group of 16 “Long-term biological assets” is introduced, which corresponds to the data of synthetic account 16 “Long-term biological assets” in accounting.

Such systematization at most brought together accounting and tax accounting and facilitated the work of an accountant.

According to these groups, the minimum allowable useful lives of property for depreciation were set. However, there is no definition of “residual value” in the Tax Code.

This implies that the company in determining the useful life of property often takes zero or UAH 1 as resale value. But is it possible?

In our opinion it is not possible because it would be more correct to take legally specified percentage of the book value of the object as resale value.

Under the Tax Code, the calculating depreciation of 01.04.11 must be preceded by an inventory of fixed assets.

If the total value of groups of fixed assets in accounting is less than the total cost of tax accounting, there is a temporary difference that is depreciated as a separate object using straight-line method for three years [2].

It should be noted that when introducing fixed assets into operation it is important not only to determine belonging the object of fixed assets to the relevant tax group, but to choose the recommended depreciation method and mandatory definition in the Order of Accounting Policies.

In practice, one of the important issues is the revaluation of fixed assets, as they often occupy a considerable share among non-current assets.

This raises the question as to the date on which the company may have overestimated these non-current assets in the event of differences between the carrying value and market prices.

According to the methodological requirements that apply on the regulatory level the threshold of materiality for revaluation or reflecting impairment objects of fixed assets can be value, equal to 1% of net profit (loss) of the company, or value, equal to 10% of the deviation of the residual value of objects of fixed assets to their fair value [7].

We agree with Ivanova N.A. that practically unsolved problem today is the issue of maintaining the initial accounting of fixed assets, more precisely typical forms of primary documents of accounting presence and movement of assets.

Thus, since the adoption of the package of standard primary documents on accounting of fixed assets significant changes have been in the organization of accounting of fixed assets [9].

However, changes in statutory documents of accounting of fixed assets are not evident.

Another problem is on account of material assets leased to others.

Same time they are fixed assets and investment property, so their accounting must be governed by the same generalized methodological recommendations.

Problems encountered in correspondence of accounts of the sale of fixed assets recommended by the Ministry of Finance of Ukraine, as it is not fully justified. Accounting of non-current assets and disposal groups held for sale on subaccount 286 is not justified, because contrary to the title of Class 2 “Inventories”, which accounts are intended to account current assets, and all non-current assets should be generalized in the accounts of Class 1 “Fixed assets”.

Often in the enterprises the following circumstances comprised that part of fixed asset objects have not been used for a long time.

Considering that depreciation is charged to all objects regardless of the intensity of their use, this leads to an overestimation of the cost of production, provided that a

certain part of fixed assets is not involved in the production.

In this regard we believe that it is advisable in such cases to preserve them, allowing enterprises not to charge the amortization for these objects, and thus eliminate the negative impact of this factor on the formation of prices of production and services [1].

Sometimes enterprises temporarily have to abandon the operation of its production facilities.

There are many reasons for it, but the most common one is economic inefficiencies (losses) of using objects.

In such situations they usually resort to the preserve these aggravating fixed assets to reduce somehow operating costs and/or ensure the safety of the property until better times.

The procedure of preparation for preservation, its implementation and re-activation of fixed assets is set in Regulation No. 1183.

This document is mandatory only for companies that have strategic importance for the economy and national security, and are based on public property. For others, it is advisory in nature.

By definition of this document, preservation of fixed assets is a set of measures aimed at long-term (not more than three years) storage of such assets in the event of termination of production and other economic activities with the possibility of restoring their functioning.

While preserving fixed assets of the enterprise are resulted in a condition that ensures the preservation of process equipment, buildings and structures, as well as the safety of maintenance personnel and population, environment protection.

Into this “package of measures” not only the “active” actions of “conservative” company on orbiting objects of operation and protection fit, but also the transfer of fixed assets for depositing into other companies under the relevant civil law agreements.

Regulation No. 1183 limits the preservation term of fixed assets three years. It is obvious that on expiry of it fixed assets must be stopped preserving and their future destiny should be decided (operation or liquidation).

Enterprises, for which the specified legal act is not required, can preserve fixed assets for longer period.

Especially this right for certain objects is written at the legislative level (for example, the possibility of more than three years of preservation of reclamation systems and certain objects of their engineering infrastructure embodied in p.1.3 of Regulation No. 139).

But in any case, a decision on the long-term preservation of the property should be carefully justified and documented.

Because otherwise the controllers will certainly be interested in this aspect especially with regard to the legality of referring costs of maintaining these assets to tax costs over a period exceeding three years.

As a general rule (for businesses that are not under specific criteria), the basis for preservation of fixed assets is considered a decision of the taxpayer.

According to the requirements of p.146.18 of the Tax Code of Ukraine decommissioning of any object of fixed assets is carried out according to the results of preservation under the decree of the head of the enterprise [1].

Considering that for all facilities and equipment that are available to the farm, depreciation is charged regardless of the intensity of their use.

This leads to an overestimation of the cost of production, provided that a certain part of fixed assets is not involved in the production.

In this regard, we believe that it is advisable in such cases to preserve them, allowing the company does not charge for amortization of these objects, and thus eliminate the negative impact of this factor on the formation of prices of production and services.

Preservation of fixed assets is a set of measures aimed at long-term (not more than three years) storage of fixed assets of the enterprise in the event of termination of production and other economic activities with the possibility of renewal and operation.

Fixed assets of the enterprise can be preserved, if by feasibility study their further use in production is recognized as temporarily inappropriate.

To carry out activities in agricultural enterprises on preservation of fixed assets it is necessary to draw up a Statement of temporary withdrawal of the fixed assets from the production process and their preservation that is approved by the head of the enterprise.

Decommissioning of the object of fixed assets due to conservation we offer to display by corresponding record, either by opening additional subaccounts of second-order to subaccounts 103 – 106, or by reflection of fixed assets at appropriate levels of analytical accounting of subaccounts 103 – 106.

Thus, the transfer to preservation of fixed assets which are currently not used in the production process of the enterprise will provide significant reflection of costs in accounting.

Formation of complete and accurate information about the enterprise and its property is required for internal and external users as it is one of the main objectives of accounting.

To solve this problem it is necessary to have a clear understanding of the condition and value of the assets of the enterprise.

The largest share in the assets of enterprises fixed assets tend to take up, so their cost is the biggest impact on activity indicators of the company.

For the enterprise it is important to choose the best method of depreciation for a particular object.

Because of the chosen method the amount of depreciation depends on, which in turn affects the amount of costs of the company and in the end it depends on the financial results of its activity.

Depreciation methods used in enterprises of Zvenygorodka district consider in Table 1.

1. Methods of calculating depreciation in agricultural enterprises of Zvenygorodka district

Agricultural enterprises	Straight-line	Reducing of residual value	Accelerated reduction of residual value	Cumulative	Production method
ALLC "Gusakove"		+			
ALLC "Zlagoda"				+	
ALLC named after Vatutin	+				
ALLC named after Gryshko	+				
ALLC "Stebne"	+				
ALLC "MTC – Moral"					+
ALLC "Myzynske"	+				
RPC "Kozatskyi"	+				
LLC "Zvenygorodka Breeding company"	+				
LLC "Oldis"	+				
FE "Tereshchenko"	+				
FE "Svitlana"	+				
FE "Volodymyr"	+				
FE "Lysiane"	+				
LLC "Sadagro"	+				
PE "Uros"	+				
PAE "Zvenygora"			+		
ALLC "Nemorozh"	+				

Almost all companies of Zvenygorodka district use the straight-line method of depreciation because the straight-line method is one of the most commonly used methods of depreciation. Amount of depreciation it puts depending on its useful life. ALLC "Gusakove" uses the method of reducing the residual value, PAE "Zvenygora" uses the method of accelerated reduction of residual value, ALLC "Zlagoda" – cumulative method, ALLC "MTC – Moral" – production method of depreciation.

ALLC "Stebne" uses the straight-line method of depreciation. In Table 2 the

method of depreciation to the main product (creamery) is shown.

The initial cost of the creamery purchased in December 2007 is UAH 18 thousand. Useful life is 5 years. The residual value is UAH 1 thousand.

2. Depreciation of the creamery (a straight-line method)

Reporting period	Initial cost, thousand UAH	Annual amount of depreciation, thousand UAH	Accumulated depreciation, thousand UAH	Residual values, thousand UAH
2008	18	3,4	3,4	13,6
2009	18	3,4	6,8	10,2
2010	18	3,4	10,2	6,8
2011	18	3,4	13,6	3,4
2012	18	3,4	17,0	1,0

Each depreciation method, along with the pros has its drawbacks. After analyzing all the advantages and disadvantages of each method, enterprises need to choose the best method of depreciation for a particular object because the amount of depreciation depends on the chosen method, which, in turn, affects the amount of expenditure.

Conclusions. The lack of reliable accounting information can lead to the formation of data that in a distorted way reflect the financial and property state of the enterprise. This accounting information will formulate the general concept of effective management of fixed assets in agricultural enterprises. Thus, accurate valuation of fixed assets and, if necessary, re-evaluation of their value, and display the accounting postings on the presence and movement of fixed assets will prevent mistakes that will prevent charging penalties for violation methodological recommendations on accounting for fixed assets.

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The article analyzes the current system of fixed asset accounting in agricultural enterprises of Zvenygorodka district. It is suggested that the fixed assets that are not used in production for up to three years should be preserved in order to reduce the cost of agricultural products. The actual need to display accurate value of fixed assets to avoid errors for reducing penalties for violations in the account is substantiated.

Keywords: *accounting, expenses, fixed assets, preservation, depreciation methods, cost, revaluation.*