

## **Annotation**

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### ***Accounting methodology of factoring transactions in commercial banking institutions***

*Modern factoring is not only refinancing of a debt but also it is rather difficult financial instrument which national banks start mastering gradually. At this stage factoring is a widespread international intermediary service of commercial banks applied by the majority of the Ukrainian banks. But not all Ukrainian enterprises use factoring in management of already current receivables. This is due to the fact primarily that in Ukraine there is very common prepayment for goods and underdeveloped trade credit that is highly risky. Factoring transaction is that the bank's factoring department buys debt claims (invoices) of the client on the terms of immediate payment of 70-90% of the cost of supplies and paying rest of less interest for the credit and commission payments in strictly stipulated terms regardless of revenue income from debtors. The bank keeps 10-30% that is remained as a risk payment to repay the debt. After repayment of the debt the bank returns the withheld sum to the client. 10-30% of the amount of debt withheld by the bank is also a measure of stimulating client to appropriate fulfillment of duties on delivery. If the debtor does not pay the bill of factoring in time payments are carried out by the factoring department.*

*In accounting in current economic conditions there is often a question of calculating reserve of doubtful debts in connection with unpaid receivables. At the conclusion of factoring transactions commercial banks receive from clients' calculation and payment documents on goods and services sold to the debtor. In accordance with the chart of accounts banks take into account this transaction on balance sheet accounts. The bank receives a commission for providing factoring services taking into account payment documents. The received commission on factoring is considered on an accrual basis and recognized at 6110 invoice on the date of signing the factoring agreement. The bank also receives interest income for advance payment (6023 account) provided to the client. Modern trends of organization of factoring banking activities and its compliance with international accounting standards are studied. Using factoring services the enterprise has an opportunity to accelerate turnover of funds and reduce debts on calculations.*

**Keywords:** *bank, receivables, doubtful debt reserve, factoring, credit transaction, outstanding debt.*