

Dmytrenko Alla,

*Doctor of Economics, Associate Professor, Associate Professor of the Department of Finance,
Banking Business and Taxation*

*Yuriy Kondratyuk Poltava Polytechnic National University
Poltava (Ukraine)*

ITS IMPACT THE FINANCIAL RESULTS OF THE ENTITY THE CHOICE OF ON THE CHOICE OF THE METHOD OF VALUATION OF INVENTORY DISPOSAL

According to paragraph 16 of Regulations (standard) of accounting 9 "Inventories" [1], inventory valuation at their release for production, one of the following methods carries out sale or write-off: identified cost; weighted average cost; FIFO; standard costs; selling price.

METHOD 1. Measurement at identified cost. The method of identified cost is the most accurate in terms of financial results, but requires significant warehouses for separate storage of each batch of stocks, requires the organization of natural cost accounting of stocks in the context of their names [3].

Most likely, this is how clause 17 together with the first paragraph of clause 16 of Regulations (standard) of accounting 9 [1] should be understood. After all, many enterprises have long established computer accounting of receipt and disposal of inventories at the identified cost, and since this method is the most accurate, it makes no sense to change and rebuild programs for the sake of introducing approximate accounting, which is the accounting of disposal at: weighted average cost, FIFO, LIFO. Another thing is that we did not know the term identified cost. But this is only a new term, and the method itself is not new - it has long been widely used in our country.

In our country, it has always prevailed and was used in almost all sectors of the economy. A prerequisite for this is the ability to establish its price (historical cost) for each unit of stocks [3].

METHOD 2. Valuation at weighted average cost. The method is applied separately for each set of inventories taken into account, identical in purpose and consumer characteristics.

As for the procedure for applying the weighted average cost method, this method provides for the evaluation of inventory disposal in two ways: assessment at the monthly weighted average cost is carried out for each unit of inventories by dividing the total value of the balance of such inventories at the beginning of the reporting month and the value of inventories received in the reporting month by the total number of inventories at the beginning of the reporting month and inventories received in the reporting month; valuation at the periodic weighted average cost of inventories is carried out for each transaction on disposal of inventories by dividing the total cost of such inventories at the date of the transaction by the total quantity of inventories at the date of the transaction.

METHOD 3. Valuation by the FIFO method. Thus, in conditions of constantly rising prices, the FIFO method gives the highest gross profit. And if we take into account that in the conditions of general price growth, each enterprise seeks to increase the prices for the goods sold, then when applying the FIFO method to the assessment of disposal, the gross profit indicator indicated in the Statement of Financial Results can be considered unreasonably high. Therefore, this method is beneficial for the state for fiscal purposes and leads to the payment of a larger amount of income tax. Accordingly, in the conditions of constant decline in prices, the opposite process is observed: the gross profit indicator as a result of applying the FIFO method to the assessment of the disposal

of inventories and the forced reduction of selling prices for the products (goods) sold by the enterprise is unjustifiably understated in the report.

METHOD 4. Valuation by the normative method of inventory disposal accounting. The method of normative costs is used in production and consists in the application of norms of costs per unit of products (works, services), which are set by the enterprise, taking into account the normal levels of use of stocks, labor, production capacity and current prices.

However, in practice it is almost impossible. Prices for basic materials and raw materials are constantly changing; wages of employees are changing; actual consumption of materials and raw materials in the production process may exceed the standard. Therefore, there are differences between actual and standard costs, which are conditionally divided into several groups:

1. Quantity variances - differences between actual and standard costs of input components of finished products. This includes their overruns and underruns. In this case, the main task of the accounting department and the head of the enterprise is to minimize such deviations.

2. Cost differences are the differences between the actual and standard cost of raw materials, materials, semi-finished products. In addition, cost differences include differences in other input costs of the production process: wages, utilities, etc.

3. Production differences are differences arising in the volume of output. Production differences mainly arise as a result of the two previous types of differences.

METHOD 5. Method of valuation of inventory disposal at selling prices. The method of writing off inventories affects such financial categories as: cost of production (works, services) in terms of direct material costs and, as a result, the formation of financial results and profitability; - the value of current assets in the structure of the balance sheet at the end of the reporting period and, as a result, the liquidity and financial stability of the enterprise. Thus, in conditions of constant price growth, the FIFO method gives the highest gross profit [2].

The article compares and analyzes domestic and foreign experience in inventory accounting, determines the availability and movement of materials. The features of methods in different countries are reflected. Great Britain uses such methods as LIFO, weighted average cost and net cost. Greece, Spain, the Netherlands, Germany and Italy - FIFO, LIFO and weighted average cost. Some countries also use the method of basic stock of finished goods, actual costs, method of basic stock of finished and unfinished works, standard and special (market) price of basic stock, percentage of completion method, contract completion method, retail method. Therefore, the use of the FIFO method is the most appropriate for use in enterprises.

The impact of this method on the financial condition of the economic entity can be considered positive, since the balance sheet indicators characterizing the items of current assets are reflected in the value close to the market value.

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