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ESSENCE AND SYSTEMMENT RENTAL FOR ACCOUNTING REQUIREMENTS

Summary

Lease facilitates the restoration of fixed assets, gives the opportunity to increase the level of extensive and intensive use of property, allows to attract the necessary property in economic circulation without significant one-time investments, as well as provides an opportunity to receive income from the lease of temporarily unused objects, while retaining ownership of them, improve the conditions of enterprise development. The reform of accounting in Ukraine, the application of national standards, has brought some positive changes, but the issues of the organization and methods of accounting for lease operations remain uncoordinated, which necessitates theoretical and practical developments taking into account the experience of domestic and foreign scholars. The current methodology and principles of accounting for lease transactions are the object of studying both domestic and world economic science and practice. The given systematization, identification and proposed classification of the lease is very important, since it depends on their legal regulation, documentary and accounting, and, consequently, the economic performance of enterprises.

Introduction. Effective conduct of economic activity, regardless of the form of its organization, requires a significant start-up capital, the withdrawal from the turnover of a single significant amount of financial resources. Conditions of the operation of most enterprises, increasing competition, require new investments in the

renewal of production, strengthening the material and technical base. The necessity of investment that creates barriers to entry and does not allow it to consolidate many enterprises. In these circumstances, the only way to overcome the obstacles is to have such a specific mechanism for attracting resources, such as leasing. Rent facilitates the restoration of fixed assets, gives the opportunity to increase the level of extensive and intensive use of property, allows to attract the necessary property in economic circulation without significant one-time investments, as well as provides an opportunity to receive income from the rent of temporarily unused objects, while retaining ownership of them, improve the conditions of enterprise development.

However, the implementation of these measures takes place under conditions of unresolved issues, including in relation to the procedure for rent accounting. The reform of accounting in Ukraine, the application of national standards, has brought some positive changes, but the issues of the organization and methods of accounting for rent operations remain unconformable, which necessitates theoretical and practical developments taking into account the experience of Ukrainian and foreign scientists.

Currently, the methodology and principles of accounting for rent transactions are the object of studying both national and world economic science and practice. Problems of accounting for rent operations are the subject of research by N. Ponomarenko, B. Zanko, V. Massakovsky, L. M. Bratchuk, I.Yu. Litvinenko, O. Gabruka, V. Parkhomenko, O. Chubko, P.T. Sabluka, P.I. Gayduksky, V.D. Yarovoy. At the same time, it should be noted that the majority of authors focus on the accounting of operations for lease of agricultural land. Separate practical issues of rent are devoted to the works of Ya.B. Usenko [30], T.A. Alohina [7], A.Yu. Berezhnoy [8], I. Zavalnoy, I.M. Zuchek, O. Kosenko. In connection with the harmonization of the national accounting system and international accounting practices, the problems of leasing operations were highlighted in the writings of such scientists as S.F. Holov [14], M. Lositskaya [24], N. M. Brasili, Koshulko O.P [9]. Without diminishing the importance of the research of these authors, we note that the issue of accounting for lease operations is not sufficiently worked out, there are many

controversial issues, there is no comprehensive approach to the organization and accounting methods.

1. Signs and features of the rent

The term «rent» was at one time borrowed from the Polish language (*arenda*), which in turn came from the medieval Latin (*arrendare* – to provide hire). The rental has a long history of development, it is possible to give examples for practically all historical periods. Renting in the old days was not limited to the lease of any particular types of property, as most scholars believe. In fact, from history it is known that rented not only various types of equipment and craft equipment, but even military equipment. The level and variety of lease in all ages was the higher, the more freedom the members of society had and the higher the degree of social development.

The basis of economic life is the process of production, occurring in the corresponding historical form. Ownership of means of production, first of all, on means of labor, characterizes the nature of socio-economic relations that prevail in a given society. Each socio-economic stage of development is characterized by its own forms of ownership [18, p.23]. Evolution and transformation of forms of ownership have a significant impact on different aspects of the development of society. The variety of forms of ownership not only does not limit the lease relations, but rather broadens the prerequisites for its further development at the expense of the free use of its own income and property for the surrender of its own and the acquisition of economic possession of additional objects [20, c.245]. Definition of property as a scientific category reduces to its functions of possession, use, disposal. With regard to the characteristics of property relations in lease relations, then among the specialists there is no consensus as to which of the ownership, use and disposal rights pass from owner to tenant. The common opinion is that the tenant gets the right to use the leased property, which is fixed in the current leasing legislation. Normative documents do not give legal grounds for the transfer of ownership rights to the tenant, but objectively, the tenant enjoys this right.

Ownership, use and disposal rights are homogeneous functions of ownership as a social phenomenon. Insufficient definition of this undeniable fact has led to many misunderstandings, difficulties in the development and approval of legislative acts on property, land, rent and especially privatization.

Obviously, property is manifested in the lawful right of the subject to possess the object. As for the rights of use and disposal, this is the derivative ownership and its constituent parts. That is, the right of possession includes the right to use, and the latter – the right to dispose [18, c. 56].

The right of ownership legally establishes the ownership of the property of a certain subject, the actual domination of the subject over the object of ownership, that is, gives the right of exclusive physical control over the benefits.

The right of disposal legally ensures the right to take planned and managerial decisions regarding the operation of the property.

The right of use is manifested as a legally granted opportunity of production use and consumption of useful properties of the property, as well as the creation of benefits through it.

So, with respect to the constituent property rights, they have both the owner of the object and the person to whom the owner transfers part of the ownership rights to the agreed, respectively, economic and legal principles.

Thus, the economic essence of the rent realizes the relations of temporary possession, which predetermine the temporary change in the subject of these relations. Ownership serves as a form of realization of property, which combines the use, disposal and partial appropriation of material goods. The rent reflects the relationship between the owner and the lessee regarding the same property and relation to the products produced. The difference in the realization of each of them economic relations of appropriation, where the owner of the means of production has a full monopoly assignment, and the tenant is limited, which is manifested in belonging and disposing of them only part of the additional product created as a result of the use of rented production means.

Rent relations are realized with the help of various levers and instruments, but the two most important forms are the most significant: rent and rent income. The basis of the economic relationship between the tenant and the lessor are rent payments, which reflect the relationship of ownership, use and assignment of ownership of the rented property. In essence, it is the price at which the landlord sells, and the tenant buys the right to use. The existing mechanism of mutual settlements between the parties, which includes the price, reflects the economic level of ownership of the object, the rent time of the rent and the size of the rent, which is stipulated by the previous two conditions (Fig. 1.1).

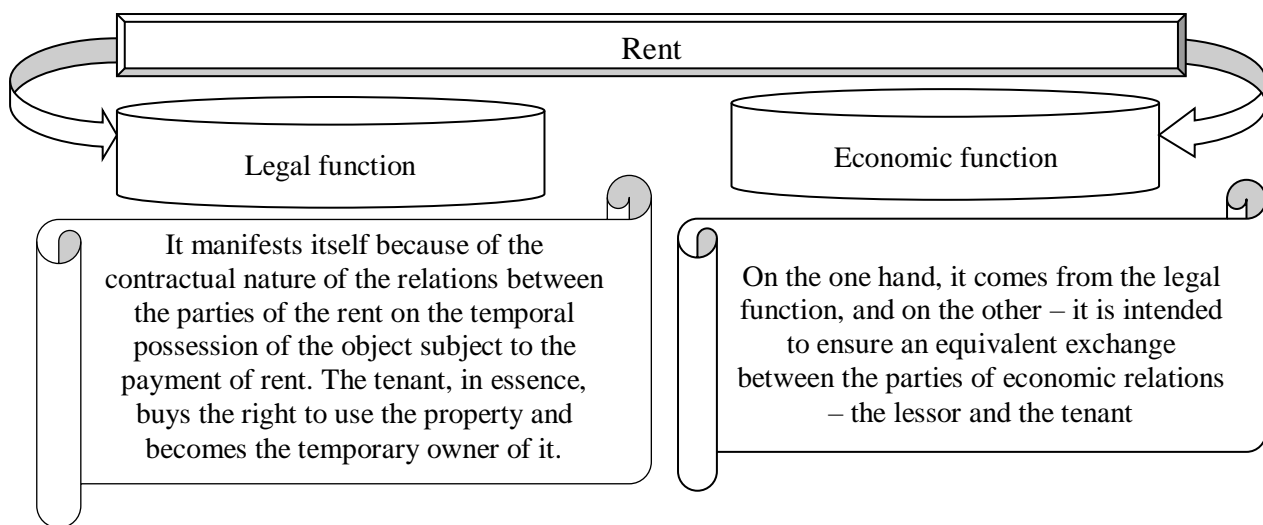


Fig. 1.1. Rented Functions

The rent has two sides:

- 1) organization-economic – reveals the contents of the organization of the cumulative social labor, its distribution and the level of socialization of production;
- 2) socio-economic – opens the dual status of tenants as direct employees and as independent entrepreneurs, which objectively interested them not only in improving their personal consumption, but also in the implementation of savings for expansion of production or increase in joint ownership.

Considered conditions that take into account the specifics of the application and regulating individual leases, it is possible to separate the features and functions of the rent relations as an economic category, manifested in the aggregate, the essence of which is presented in Fig. 1.2.

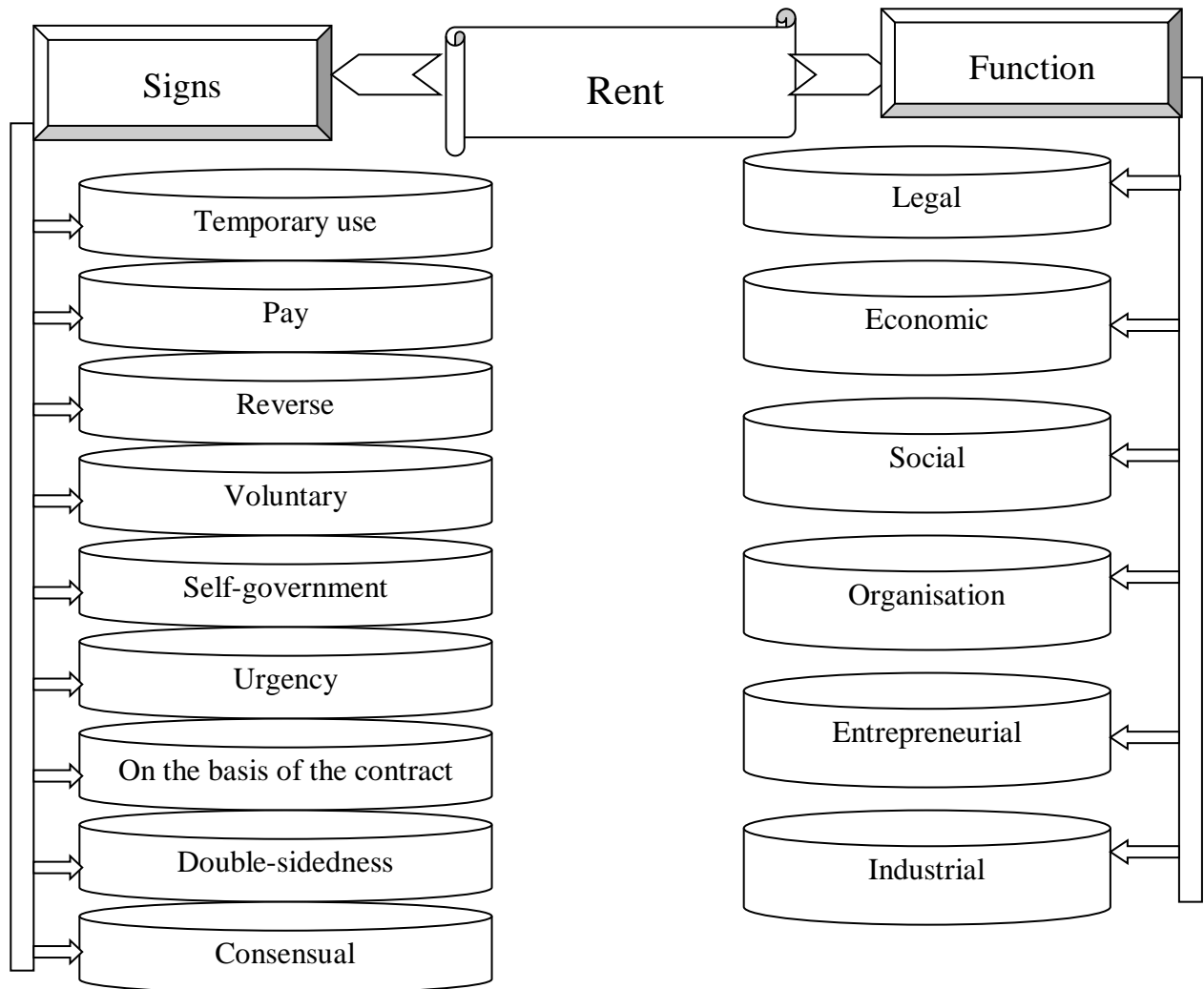


Fig. 1.2. Signs and features of the rent

The rent regulation should be based on its economic substance, so the starting point for creating an effective renting management mechanism is its determination. Determination of the rent must give a general description, cover the fundamental properties, essential laws, reveal the distinctive features and features [22].

Concerning the interpretation of «rent», it is now formulated a large number of definitions that refer to it for various types of financial and economic activity. Existing definitions can be divided into six groups (Fig. 1.3).

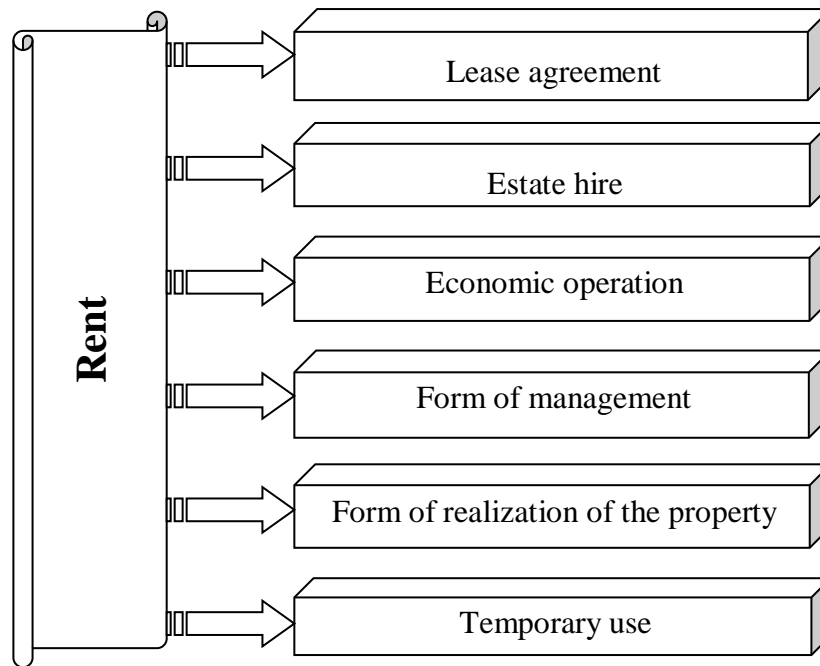


Fig. 1.3. Interpretation of the rent in the scientific and practical literature

In his works T. Volkova, T.V. Kovalev, V.V. Yaremenko, speaking about the essence of the lease, noted that this is «... temporary use of buildings, land, etc. on a contractual basis». The authors emphasize one of the dominant characteristics of the rent – legal consolidation, but there is no reference to the relationship of ownership and use of production results by economic entities.

Considerable attention was paid to the study of the essence of the rent and its development by the scientists V.K. Symonenko, P.I. Gayduksky, M.Ya. Malik and expressed the opinion that «the rent – the contract is based on the term of the reverse possession and use of land, other natural resources, enterprises (associations), property complexes and other property necessary for the tenant to independently carry out business (business) and other activities». One could agree with the stated opinion of the authors that the rent, on the one hand – property relations, that is, the receipt of the period of ownership and use of property for a period specified by the contract, and on the other – is a form of entrepreneurial activity. However, this approach makes this interpretation incomplete, because one of the features and characteristics of the rent – payment is not taken into account. It is this feature that

allows differentiating rent and loan agreements and does not give grounds for considering loans as a type of property rent [22].

Wider the concept is disclosed by A.M. Yakovleva, T.M. Afonsca, L.O. Pustovit, O.I. Skopnenko and conclude that the rent is a process of transfer of property on a contractual basis for an appropriate fee.

The above definitions complement each other and provide the most complete disclosure of the essence and functional features of the rent.

Exploring different approaches to the interpretation of the essence of the rent, it is necessary to stay on the theoretical positions of many scholars who argue that «Rent is an agreement under which one party (the lessor) undertakes to provide the other party (the lessee) the property for temporary use for the corresponding payment». In our opinion, to identify the concept of rent and the contract is incorrect, since the contract only regulates the relationship between economic entities and does not disclose the content of this concept. Such a definition complicates both the process of knowledge and legal regulation [23].

Significant contribution to the theory and practice of rent relations makes Ya.B. Usenko [30] and speaking of the essence of the rent, notes that «Rent – the provision by the employer of the timely paid use of own property, the use of which brings profit». In this case, the author disclose the content from the point of view of the landlord, for which the rent is a kind of entrepreneurial activity in order to profit.

System connections of the types of provision of property for temporary use are still insufficiently studied and there is no consensus on the definition of most of them in the scientific literature, as in national normative acts. Currently, various types of temporary paid property use are known. For their description, the following terms are used: «hire», «rent», «leasing», «concession». External similarity of property-legal relations is caused by terminological differences, inconsistency of legislation, identification of certain types of them, although in the present conditions they have different economic essence, their specific features.

The legislation of Ukraine and the legislation of other countries, which at different times acted on the Ukrainian lands, regulated the employment relations in

different ways, which in turn led to different use of the terms «hire» and «rent». In the life of that period, the terms «hire», «abstinence» were used to define hiring. In some cases, they were given an independent value, while in others they were used as synonyms terms. As «unambiguous», from a legal point of view, the terms «hire» and «rent» in the special legal literature [23] are still interpreted. The current Ukrainian legislation also does not distinguish these concepts, since it focuses on solving practical problems. Moreover, differentiating between renting and hiring, as noted by Y. B. Usenko [30], is not easy, because in the process of historical development the rent has lost its basic classical characteristics. In view of this, in our opinion, the term «rent» should be used to define the types of operations provided, and the term «hiring» should continue to be used as a synonym.

Current issues for today are the delineation of the concepts of rent and leasing, which identification is most often carried out. As explains V.M. Hobta and V.A. Hayduk, this is due, above all, to the translation technique, as the term, as well as the process borrowed in the Ukrainian economy from foreign practice.

In the analysis of various interpretations there is an identification of rent and lease. This presentation is based on the fact that the leasing agreement has always included rent and lease relations as a mandatory element. It is also worth paying attention to the definition in the Tax Code of Ukraine, where the rent is equal to leasing; the timing for tax purposes is identified, this generates a different perception, incidentally, at the most responsible levels in deciding issues of income generation, taxation of profits, and so on.

Vnukova N.N. and Olkhovikov O.V. consider leasing as a kind of rent. However, a number of authors in their publications distinguish a number of differences, which are clearly visible during comparison [22]. The conducted researches and analysis of publications allowed to clearly formulate common features and differences in rent and leasing in Table 1.1.

Table 1.1

Comparative characteristics of renting and leasing operations

Signs	Rent	Leasing
Number of participants	Bilateral agreement - the landlord and tenant	three are the lessor, the seller and the lessee. In some cases it is possible and two – the lessor and lessee
Scope of the contract	not a consumer thing, which is defined by individual features, with the exception of the prohibition by law	not a consumer thing, determined by individual characteristics and assigned, according to the law, to fixed assets
Objects	is created to meet the needs of the owner and only through a change of circumstances is transferred to the use of other persons; the objects of lease are defined more widely	purchased to meet the needs of participants in economic relations, that is, designed to perform the functions of the goods; Leasing objects in the law are limited by fixed assets. It is forbidden to transfer land leases and other natural objects to the lease
Term of the contract	The Law of Ukraine «On the renting of property of state-owned enterprises» does not stipulate the lease term	The law of Ukraine «On leasing» the term of the contract is established depending on the period of depreciation and requirements to the part of compensation of the cost of the object.
Variety of processes	main types: rent, subrent	practice has created dozens of varieties. The Law «On Leasing» provides for a limited number of types of operations
The nature of the relationship	property tenancy relations	relations of purchase-sale, property lease, supply, credit
Ownership	landlord's property	at the conclusion of a financial lease agreement, the property of the supplier of property, and in case of re-leasing, the lessor's property
Responsibility	is the landlord	the seller is the subject of the lease if the seller chooses the lessee, and if the lessor is the seller of the property and the lessor jointly
Tenant lease	acts as the owner of the subject of the contract or as his representative	the lessor invests in the leased asset and provides the lessee for use
The essence of the payments	the rent is a payment for the right to use	lease payments – reimbursement of expenses of the lessor for the purchase of the object of leasing, compensation of interest on a loan or other costs related to the contract
Factors affecting the size of the payment	the market situation for the rent, and when leasing public and communal property – the rental rates and the cost of the object of rent	the value of the leased asset, the term of the contract, the rate of depreciation, in the case when the lessor purchased the leased asset for the loan, - the rate of the loan
Common signs	are financial and economic operations; used for entrepreneurial activity; are of a contractual nature; their implementation requires investments; taxation of operations; condition of the contract is the presence of the object; The urgent need to use means is a prerequisite.	

Comparisons make it possible to indicate that the existing common features do not make these two forms of use of the property identical. For leasing, its investment component is decisive, which is fundamentally different from the rent.

We do not share the opinion of the authors who consider the rent a special method of lending. It should be emphasized that the right to own property can be sold once, with the owner changing. Yes, you can sell this right and installment, or, conversely, shares for a certain period. So, the rent is a form of sale of the property not one-time, but stretched in time. That is, the rent is different from the loan, first of all, the term for which the right of use and disposal of the tenant is exercised. This term is only a part of the normative operating period, and in the case of a loan, it is complete. During this time, the tenant has time to fully redeem the property, and in case of rent – in part.

The reason for renting a rental is groundless. Indeed, rent and hire have the only common feature: they are aimed at the transfer of property for temporary use. However, as noted by V.M. Polozhiy and L.P. Chizhov [18, p. 57], the practice of rental is based on the principles of short-term rent, when the landlord has the obligation to maintain the fixed assets in working condition, and the fee for using them is usually much higher than with the usual rent, when the medium is transferred not less than on year or full production cycle.

Usenko Ya.B. [30] investigating this issue, the emphasis is on the specificity of rental objects, and notes that the rental differs from the rental, primarily the economic role of the object of rent. If the property is leased for rent, which is temporarily not used by the lessor, then the lease is a property that is specifically intended for the transfer to other persons.

Another area of property use is a concession. A number of provisions enshrined in the Law of Ukraine «On the rent of state and communal property» [2] (hereinafter the Law «On Rent») were reflected in the Law of Ukraine «About Concession» [5]. Thus, the following conditions are common to rent and concession agreements:

- conditions, size and order of payment;
- the procedure for the use of depreciation deductions: the restoration of the object and its conditions of return;
- responsibility for the fulfillment of obligations by the parties;

- the procedure for resolving disputes between the parties.

2. The essence of the rent as an economic category

Concession payments, as in the case of a rent, are made regardless of the results of the activity. By concession, the Law provides for the possibility of transferring both property rights and the property to third parties. Here already there are certain analogies with subrent.

As you can see, in general, the concession is similar to a rent, but it has its significant differences, since it enables:

- to receive state property for a term of 5-50 years;
- to receive concessionary enterprises, including planned losses, as well as not only property, but also the right to conduct certain types of entrepreneurial activities, for example, the construction of roads, residential buildings, provision of housing and communal services or transport services.

Consequently, we find confirmation that, despite the external similarity of the types of provision of property for temporary use, there is a significant difference between the concepts of «rent» and «leasing», «rent» and «loan», «rental», «concession».

It can be argued that different interpretations of this concept are related to a number of subjective and objective factors, namely, the processes of historical development, the technique of translation, as well as the different approaches of scientists and practitioners to this question, since in most cases one of numerous characteristics of the rent or disclosure of the content from the position of one of the parties to the rent. The researches made it possible to formulate the actual definition of the rent (Fig. 1.4).

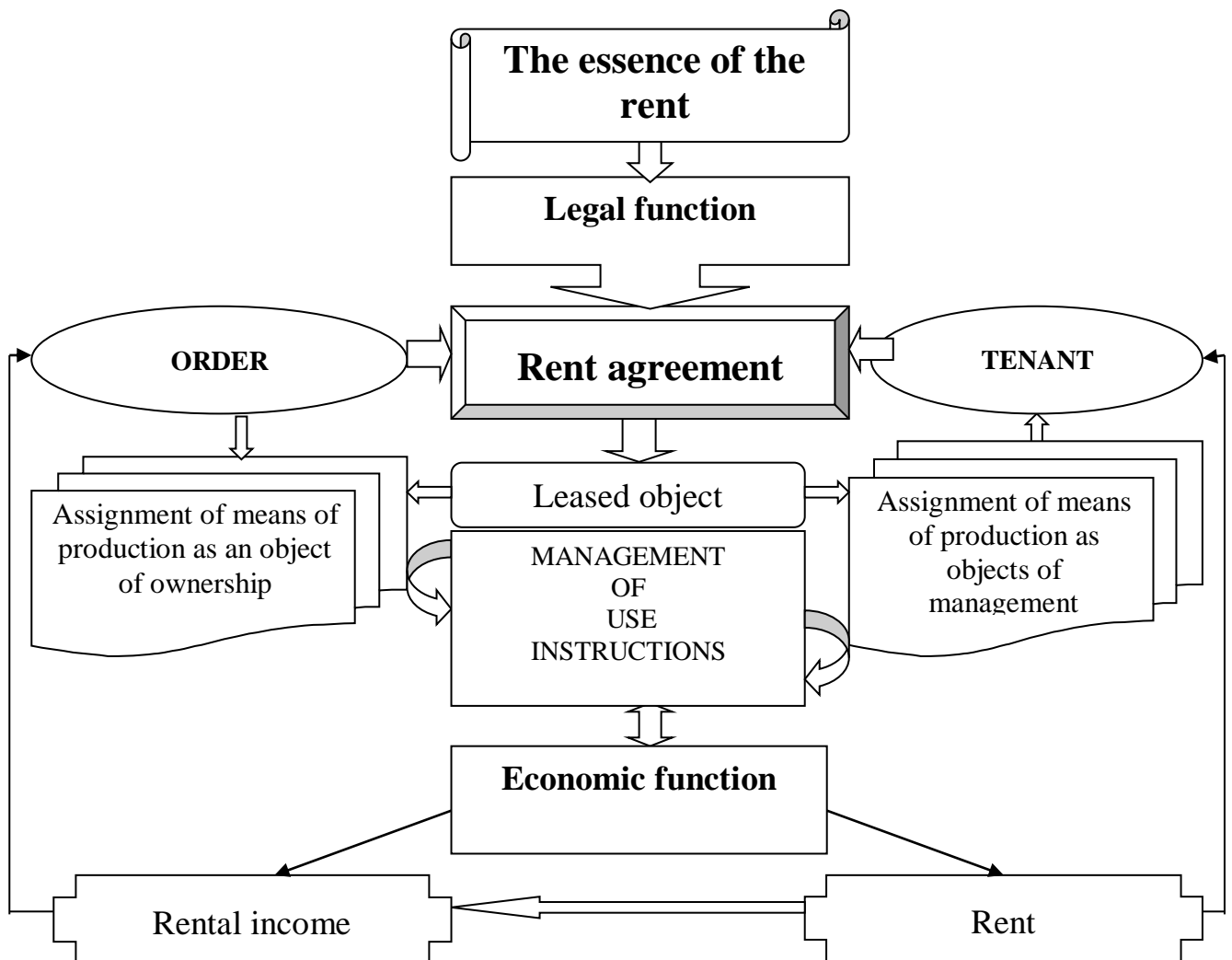


Fig. 1.4. The essence of the rent as an economic category

Thus, the rent is one of the forms of economic relations, which are concluded on a voluntary basis between the equal partners – the tenant and the lessor, on the basis of the stipulated terms of the contract, which represent the process of temporary exchange of parts of the right of ownership of the property (land, property complexes, major means and other property), namely the right to use and order the equivalent of its value of the rent.

This definition makes it possible to consider the essence of the rent in a complex, in the context of property, economic and legal relations, since the essence

of the rent, as an economic category, lies in economic relations that are associated with the temporary use of property and legally fixed by the contract. Therefore, in our opinion, complete assimilation of the economic mechanism of rent relations and bringing the concept of rent to unambiguous interpretation will ensure proper use of it in practice and will help to improve the rent relations in the country.

The need to study the process of leasing operations in order to unify, identify, classify and systematize the rent will ensure the formation of the resource base of the enterprise while ensuring the economic interests of the subjects of rent relations, for which, above all, it is worth referring to the unification of this object of accounting.

The unification process is called standardization of accounting. Accounting standardization is the process of establishing and applying common requirements, rules and principles for the recognition, measurement, presentation in the financial statements of individual accounting objects. Standardization allows globalization of accounting policies, principles, accounting and reporting systems and is carried out through the unification of international accounting, conducted by the Committee on International Accounting Standardization.

Despite the fact that in the world practice a more or less unified approach to the interpretation of the complex of leasing operations, each country has its own specific features, which often lead to differences in methodological and accounting nature.

Accounting standards in most countries allocate two broad categories of rents - financial and operational. In general, it can be said that financial rent is defined as one of the forms of financing the actual acquisition of an asset by the lessee.

Financial leasing, in accordance with US and UK standards, can be divided from the position of the lessor for a rent by type of sale and direct financial rent. One form of financial rent is a rent with mixed financing, which is only partially financed by the lessor.

An interesting variant of the rent operation is a turnaround rent. This type of rent is not allocated in an independent form, since it is in fact a financial rent, but is characterized by some specific features [23].

The accounting standards of the United States and Great Britain contain a number of annexes and methodological guidelines for accounting and classification of leasing operations, which significantly increases their significance from the position of practicing accountants. It is no coincidence that many national accounting systems for the description of leasing operations largely use the rules and approaches outlined by the US and UK accounting standards. However, due to different reasons, the interpretation of the rent in different countries, as well as the criteria for their recognition, as a rule, do not coincide; accounting standards in many European countries do not explicitly define the criteria for financial leasing, or partly use the criteria adopted in Anglo-American practice.

In countries such as Germany, France, Australia, in the structure of the rent distinguish a «basic rent», during which the terms of the contract will be met. It is the essence of this requirement – the «continuity» in the rent agreement is also in the western accounting practice necessary and a condition for the recognition of the transaction as a financial rent transaction.

A financial rent in Sweden is considered to be only an operation, the terms of which provide for the mandatory purchase of a rented asset after the expiry of the rent term. A similar requirement in accounting for rent transactions is fixed in Spanish law.

As for other countries in Europe and North America, such as the Netherlands, Denmark, their national leasing accounting standards or borrowing the provisions of the Anglo-American model, or like Greece, in general, misses a number of essential requirements from the point of view of the Anglo-American approach, where a single the order of displaying rent transactions in the account, regardless of the conditions of the operation [14].

In general, in most countries of the world, special attention is paid to financial leasing of fixed assets, which is considered as long-term. Reflection in the short-term accounting is regulated by the enterprise itself. Legislative rents are aimed primarily at protecting the interests of tenants as direct producers of products.

In order to eliminate misunderstandings and reflect rental activities, according to their economic nature, the accounting standard of most countries identified situations where the rent is treated as a finance rent and enshrined requirement: accounting for financial rents and related obligations should be reflected in the balance sheet of the lessee, and in the case of an operating rent, the rented property from the balance of the lessor is not written off. This dominant approach in the economically developed countries of the West is based on the definition of assets as resources under the control of the enterprise. However, this approach did not make it possible to completely eliminate misunderstandings in this area due to a number of circumstances in practically no country in the world [28].

International Accounting Standard 17 «Rent» summarizes the achievements of the theory and practice of accounting for advanced economies in leasing issues. The international standard has undergone repeated amendments to reduce or eliminate alternatives, duplications and contradictions in standards. The purpose of IAS 17, «Rents,» is to identify tenants and lessors of the relevant accounting policies and disclosure of rents in the financial statements [14]. For the organization of the accounting of rent relations in domestic practice, predominantly international experience has been used. However, it can not always be extrapolated in full to domestic economic conditions, as the formation of a market environment in Ukraine, as in any other country, has certain national characteristics that may eventually affect the construction of accounting.

The national analogue of IAS 17 «Rents» is P(S)BO 14 «Rent» [25], which in general is a summary of the international standard. For a detailed analysis rents to apply IAS 17 «Rent», by the way, quite legally, as Article 1 of the Law of Ukraine «On accounting and financial reporting of Ukraine» dated 16.07.2000 p. Number 996 - XIV [6] (further - Law No. 996-XIV) provides that the principles and methods of accounting and financial reporting should not be in conflict with IAS.

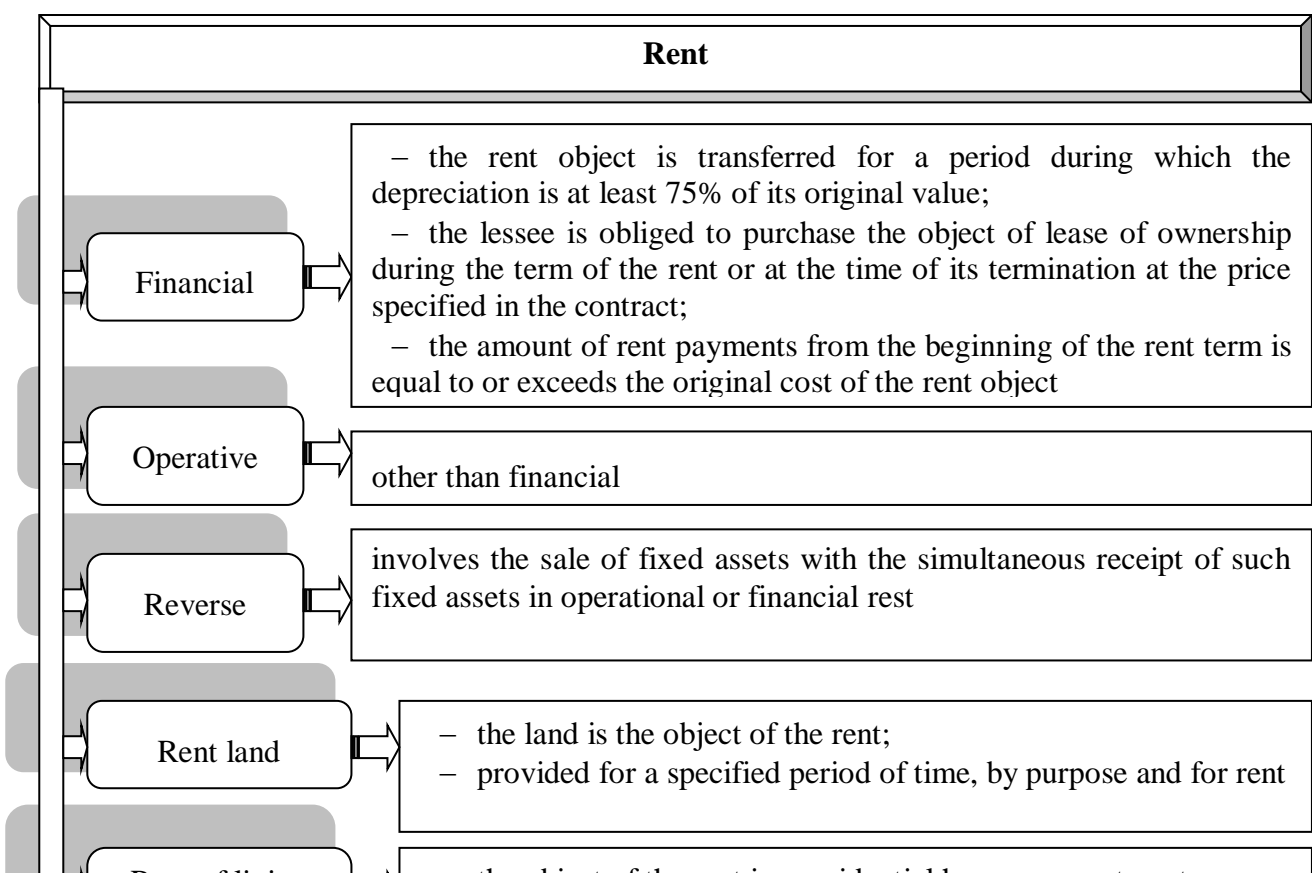
The scope of IAS 17 «Rent» has all the rents, except rents for exploration and utilization of minerals, oil, natural gas and similar non renewable resource, license agreements on intellectual property. This part of the valuation standard can not be

applied to investment property and biological assets accounted for by the lessor and lessee.

Unlike this norm, P(S)BO 14 «Rent» does not apply to:

- 1) rents relating to the exploration and use of natural resources;
- 2) agreements on the use of copyright and related rights;
- 3) agreements on the rent of integral property complexes;
- 4) for the estimation of biological assets - rented assets that are measured at fair value less estimated on-the-spot sales expenses in accordance with P(S)BO 30 «Biological Assets» [25].

The analysis of the terminology of international and national standards has shown that a large number of definitions are new to domestic theory and practice of accounting and involves the widespread use of financial mathematics. But this is not a consequence of the artificial complication, but the objective development of the economy and market relations. Rental can take many forms, especially depending on the terms and conditions on which it is carried out, and objects. In the domestic legislation on leasing, the types of rents did not find their reflection. In separate legislative acts it is determined that rent transactions are carried out in the form of operational, financial, reverse rent, as well as rent of land and residential premises.



The concept of financial and operating rent borrowed from foreign experience. The criteria for the classification of the rent are based on the extent to which the risks and rewards of ownership of the rented asset are related to the lessor and the lessee. Risks include the possibility of losses from downtime of equipment or outdated equipment and failure to receive expected revenues as a result of changing market conditions. Therefore, the benefit may be characterized as expected return on operations over the period of economic use of an asset or as a gain from an increase in its value or proceeds from the disposal of an asset at its liquidation value [28].

Nazarbayeva I. [27] notes that, unlike IAS 17, «Rents», which contains examples of situations that allow to classify a rent as a financial asset, P(S)BO 14 «Rent» clearly identifies signs of transfer of risks and benefits to the lessee.

Note that IAS 17 Rents explicitly states that assigning or not assigning a rent to a financial category depends on the nature of the transactions, and not on the form of the contract. This logic corresponds to the principle of prevalence of the essence over the form established by Law No. 996-XIV. But the requirement of standards in practice leads to the fact that sometimes the rent is classified by its participants differently, since the criteria for distinguishing between financial and operating rents are not always indisputable and can not cover the whole range of leasing operations. In practice, tenants have a wide range of contract terms, so often a rent agreement does not fit the exact definition of an operating or financial rent, but rather combines several limits between each of them.

On the basis of the explored IAS 17 «Rents» and P(S)BO 14 «Rents», the main criteria are identified, in the presence of one of which the rent is considered operational (Figure 1.5).

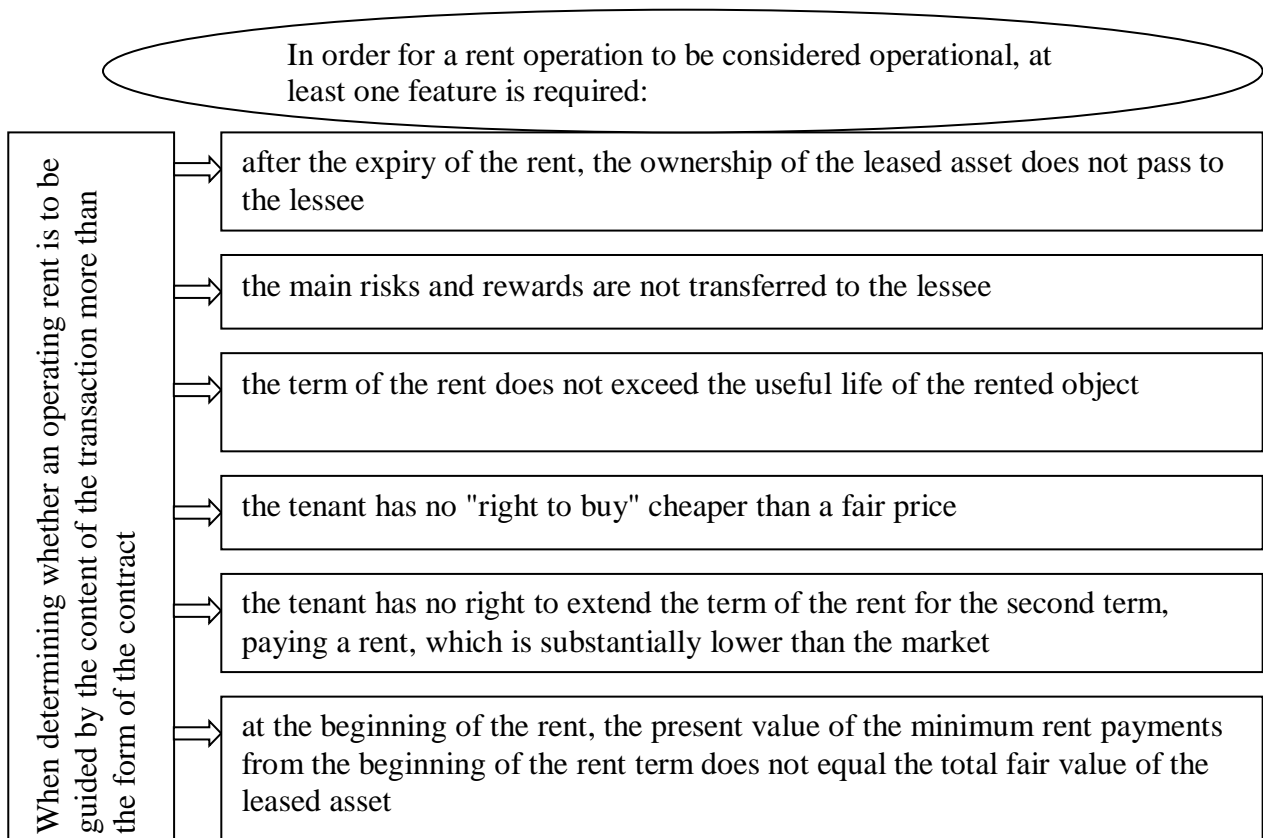


Fig. 1.5. Signs of operating lease

It should be noted that the first two criteria are not controversial and easy to apply in practice; in addition, due to its consistency, the accounting standards of many countries use them as the main criteria for determining the operating rent.

It is worth paying attention to the third and fourth criteria of operating rent; so that the rent does not become operational from the financial point of view, the rent term must not exceed half the useful life, and the total amount of rent payments must be less than the fair value of the rented asset. In practice, the main problems are the definition of the expected useful life of the asset. Also, not always at the beginning of

the contract, the parties have the opportunity to determine the market value of the rented property after the end of the contract or the size of the fair rent. As a rule, the rent is based on the same conditions for the tenant and the lessor. Nemnozhko G. [28] to ensure homogeneity of the interpretation of the rent by the tenant and the landlord offers the following criteria:

- the amount of minimum rent payments must be reasonable and predictable;
- the non-recoverable costs that the landlord must assume must be estimated and forecast.

None of the proposed criteria does not change the fact of the rent, but only draws attention to the principle of conservatism.

The methodological basis for the reflection in the financial rent accounting is set out in P(S)BO 32 «Investment property», according to which investment property – own or rented on a financial rent land, buildings, structures located on the ground and held for the purpose of obtaining rent payments and / or increase in equity rather than for the production and supply of goods, services, administrative purposes or sales in the ordinary course of business.

In accordance with this provision, operating real estate - own or rented on a financial rent land, buildings, structures located on the ground, held for the purpose of use for the production or supply of goods or services, or for administrative purposes. That is, such a distinction is made depending on the nature of the use of both their own and rented real estate. Its change affects the recognition of them as objects of investment real estate, and, consequently, to reflect on the account.

PSAS 32 «Investment Property» clearly defines a list of investment property objects and their obtaining for financial rent. This stipulates the need to differentiate the objects of rent for their classification as investment property.

Yes, it should be borne in mind that such features of rent, such as payment, urgency and the lack of the right to fully dispose of the object, but with the right to use it, are also characteristic of operating rents. For P(S)BO 32 «Investment Property», the transfer of real estate to an investment or withdrawal from an

investment property is made only in the event of a change in the nature of use, which is certified by the provision of an object in an operating rent to another party.

P(S)BO 14 «Rent» contains the notion of «non-refractory rent», which is important, first of all, from the position of the lessor, since it provides for the fulfillment of two conditions that allow them to recognize the financial rent as «inextricable». These additional deals are as follows:

- firstly, the possibility of obtaining rent payments by the lessor should be real, foreseen and substantiated;

- secondly, at the beginning of the rent, the landlord must be sure that he will be able to fulfill his obligations to the tenant.

As already noted, in addition to financial and operating rent, P(S)BO 14 «Rent» provides for such an operation as the sale of an asset with the conclusion of an agreement on its receipt by the seller in the rent. However, there is no specific definition of this operation in P(S)BO 14 «Rent», obviously, under this name, «hiding» the return rent, provided by the Tax Code of Ukraine in practice, as well as financial rent, have not become widely used.

As you can see, P(S)BO 14 «Rent» is as close as possible to IAS 17 «Rents». It is logical that at the present stage of international integration there is a need for unification and harmonization of requirements, rules of rent accounting within the framework of the whole economic system of countries. Harmonization involves the combination and mutual compliance of the legislation of the countries with regard to the regulation of accounting for rent transactions, the existence in each country of its model of accounting organization and system of standards. The main thing is that they do not differ significantly from similar standards of other member states of the community, that is, they were in harmony with each other [22, p.107].

Undoubtedly, international harmonization in the accounting and reporting of leasing operations will facilitate the cooperation of domestic enterprises with foreign partners and avoid the need for tax and specialized reporting, will ensure transparency and clarity of information, increase the level of confidence in the indicators of financial reporting. However, with the agreement of NAS and IAS, it is

necessary to analyze what this may lead to as a result, as IAS 17 «Rents» also has certain disadvantages, while the Ukrainian economy has a number of peculiarities that are not characteristic of other European countries.

The absence of full coincidence of the rules of the NAS and the provisions of international standards may not necessarily lead to inconsistency of reporting with the requirements of IAS, if the differences are not significant, says Golov S.F. [30, p. 149].

We believe that compliance with the requirements of IAS NAS to the requirements of IAS can be realized provided that the conceptual framework, compliance with national and international standards, and adequate interpretation are maintained.

Rent, as well as any other economic relations, requires internal structural and logical ordering, without which it is impossible to properly organize accounting and disclosure in financial statements, to develop a methodology for scientific research. The problem is that, in most cases, rent transactions are not correctly identified, are not sufficiently accurately evaluated, which leads to distortion of information and misleading its presentation in the reporting. Therefore, the identification of the rent is the basis, an essential condition for reliable accounting. Identification involves the availability of sufficient information on the nature of the rent transactions and their registration with the definition of the end result, and requires scientific research, development of the procedure and conditions for the identification of bookkeeping rent. We believe that the main elements of the identification of the rent are:

- recognition;
- assessment;
- rent organization;
- definition of the features of the operation;
- classification on different grounds;
- introduction of information on subjects of rent relations;
- definition of the terms of the operation;
- additional information about the operation (rates, inflation index, etc.);

– execution of documents with signatures of responsible persons.

All of the above elements, in our opinion, make it necessary to eliminate the existing differences in terminology first of all.

Turning to the legislation governing rental accounting, we see that there are discrepancies and inaccurate interpretations of the rent. It is essential that for the purposes of taxation and accounting there is no unity in the definition of the essence.

The Tax Code of Ukraine [1] and a number of researchers in their scientific works identify the concept of «operational» and «operational» rent, so the warp to dwell on these concepts and to find out their economic nature. First, one should pay attention to the fact that «operational rent» is an incorrect translation of «operating arenda», which means «operating rent», the operational will be «operational». Secondly, if we analyze these concepts, we see that a number of scholars: Mocheryn SV, Rayzberg BA, Lozovsky L.Sh., Buttenets F.F. reveal «operational measures - current measures, relatively short-term actions, due to the current economic situation.» And operational activities – as the main statutory activities of the company, as well as other activities that are not investment or financial activities [22, p. 108]

3. Directions of lease classification

If proceeding from the needs and requirements of accounting, in accordance with NAS 14 «Rent» [3], income and expense on rent are recognized as operating income and expenses of the corresponding reporting period.

Note that when reflecting income in tax accounting is recognized «total income taxpayer from all activities», including from the operating [1]. So, we come to the conclusion that operating rent is more consistent with one of the main concepts of accounting and tax accounting - operational activities.

By comparing the definition of operating rent, given in the current legislation, with the definition given in NAS 14 «Rent,» we see that in part, the disclosure of the concept of operating rent in tax and accounting is common, as in the Tax Code of Ukraine [2], and the operating rent NAS «Rent» [3] is a rent other than financial.

Most domestic researchers also adhere to this position, and the essence of operating rent reveals the same.

It is important that in the Tax Code of Ukraine, when determining the operating rent, there is no indication of the term of the rent of an object, and most importantly - the emphasis is not on the obligatory return of the object. This suggests that the classification of the type of rent remains an accountant, which in turn provides greater freedom of action for the accountant, while increasing his responsibility.

Considerable attention is paid to theoretical coverage of this problem by Sopko V.V. and Boyko O.V. and consider that «operating rent is a business transaction of a physical or legal person, which provides for the transfer of the right of use of fixed assets to the lessee for a term not exceeding their full depreciation period, with the obligatory return of such fixed assets to their owner after the expiration of the rent agreement».

The research of the essence of operating rent from the standpoint of the views of various scholars makes it possible to conclude that there is no consensus on the disclosure of this concept, therefore, at the present stage, there is a need for identification and disclosure. So, we offer our own definition of operating rent. Consequently, operating rent is one of the forms of rent relations, which provides for the transfer of the right of ownership of fixed assets to a lessee in accordance with the rent, corresponding to market rates, under the contract, and does not provide for the transfer to the lessee of all risks and benefits associated with the right to own and use the asset for a term, which does not exceed the term of their full depreciation, with the obligatory return of such fixed assets to the owner after the expiration of the rent contract.

This definition makes it possible to distinguish between financial and operating rent by qualitative criteria, emphasizing its essence, namely, the acquisition of property rights, contractual nature, payment, reversibility, urgency [22, p.110].

It is also worth abandoning unjustified, from the accounting point of view, a monotonous interpretation of the category «leasing» and «financial rent». The solution to this question should be made by adjusting the system of legislation. Some

steps have already been taken in this direction, for example, the Law «On Financial Leasing» [9] does not use the term «financial rent», and when describing this transaction, it is only about the category «leasing».

It deserves attention to the notion of financial rent, disclosed in tax accounting by the Tax Code of Ukraine [1], and the definition of financial rent - in NAS 14 «Rent». The analysis provides grounds for arguing that for the purposes of accounting, a financial rent differs from the same concept in tax accounting, which to some extent disorients business entities. If the main criterion for determining the financial rent in the tax accounting is the obligatory transfer of the object to the lessee after the expiry of the rent, then from the position of accounting, the financial rent provides for much wider limits, and not the transfer of the rent object to the lessee's property yet means that such a rent can be considered operational.

It should be noted that the two types of accounting are not autonomous and are closely interconnected. They are doomed to be in one way or another interconnected within the framework of a single information system of business accounting of the enterprise. This determines the need to improve the formulation of the type of rent in the tax legislation.

Rent, as a business, is characterized by many specific concepts. To achieve the necessary order, it is worth applying the classification, since targeted and effective regulation of rental development requires awareness of the features of its types and forms. At present, there is no single system of criteria for the classification of rent operations. The terms of financial and operating rents are difficult to apply for the characterization and classification of real rent processes in Ukraine. A certain benchmark can serve as provided in Article 4 of the Rental Rent Grouping Act.

Usenko Ya.B. [30, p. 92], investigating the types of temporary use of property, offered a comprehensive classification: non-profit property rent, rent, leasing, hiring, rating, rental, concession.

Considerable attention is paid to the study of rent relations D. Yendovitsky and Panina IV, in particular, in their research papers, carry out an analysis of rent accounting according to Russian legislation and international accounting standards.

Scientists offer their rent classification for a non-capitalized operating rent, and capital, which is reflected in the lessee's balance sheet as an asset that is depreciated.

Kozlova E.P., Parashutin N.V., classifying the rent by terms, divides it into two types - short-term and long-term, other authors are divided into three - short-term (rating), medium-term (hiring) and long-term (leasing). In the proposed classification, the authors do not specify which period corresponds to the rent, but which hiring and ranking [10, p. 16].

Depending on the scope of rent relations, Gaidai M.G., Lositskaya M.A. [24, p. 274] identified two types - free and targeted rent. In addition, they pay considerable attention to the theoretical coverage of the classification of the rent and offer the following features of the classification: depending on the features of taxation; in the market sector; depending on the economic essence; depending on types of rentd assets; depending on the time limit of the contract; Depending on the terms of the rent agreement for servicing; depending on the purpose of the property.

Bratchuk L.M. [10, p. 16] offered a rent classification, depending on the transfer of property rights: complete and incomplete.

Thus, we see that the basis of the classification of the rent may be the differences in the types and forms of rent relations, in the approaches to providing rent payments, in determining the objects of rent, in terms of rent transactions, etc. But these classifications do not pay attention to the temporal aspect of the emergence and development of the rent. In this regard, we propose to combine all the classification features of the rent into three groups, which will make it possible to distinguish the most significant classification features by which the classification of the rent will have value both in the theoretical and practical sense (Fig. 1.6).

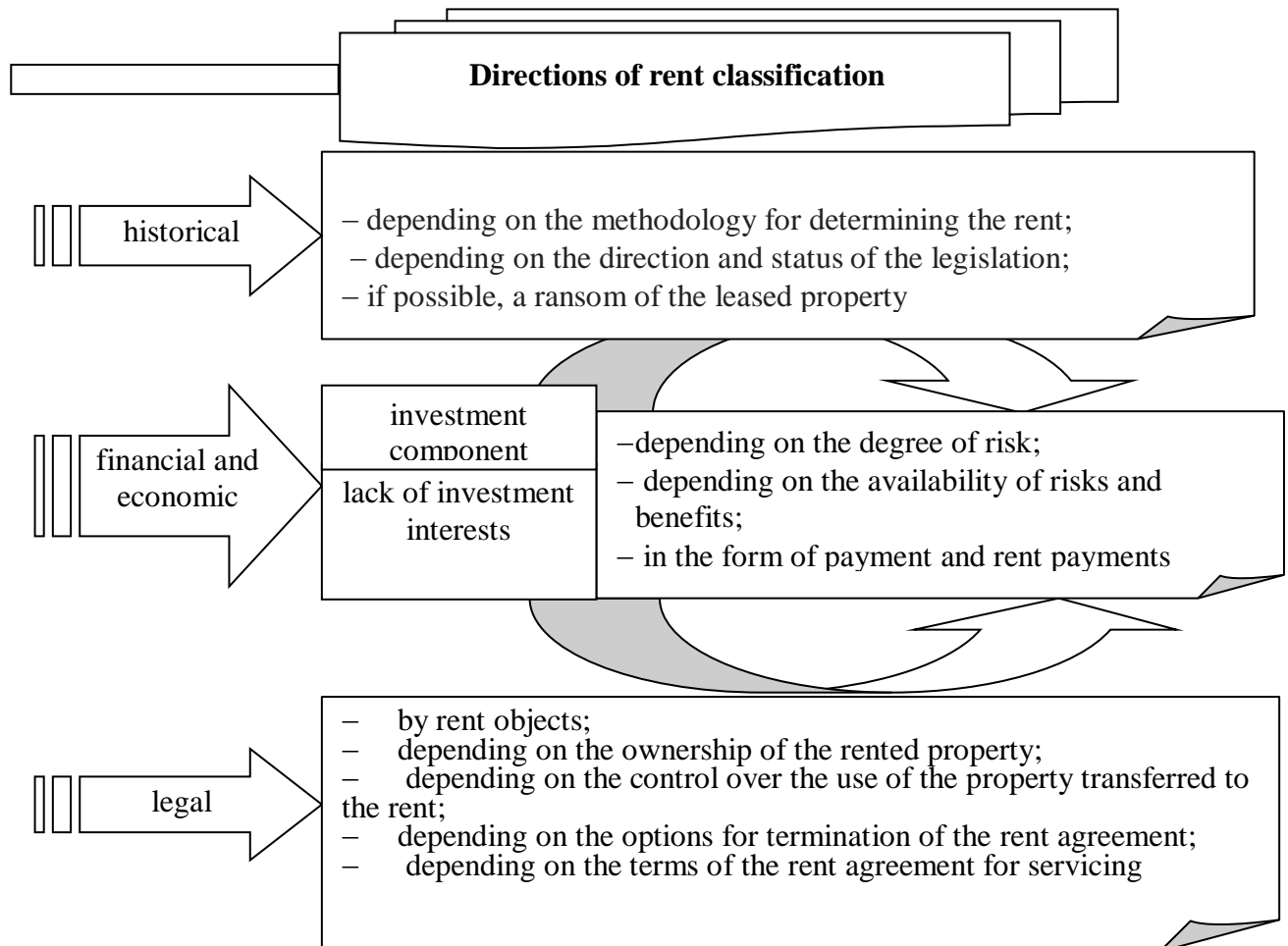


Fig. 1.6. Directions of lease classification

Classification by historical features involves the allocation of stages of development of the rent and division by the time of occurrence. Such a classification is of great theoretical significance, since knowledge of the history of the rent, its origins, genesis helps the practitioners to navigate in the processes taking place, to predict trends of development, to build rent relations taking into account the accumulated experience.

The determining financial and economic feature for the classification of the rent is the presence or absence of an investment component in the rent. In view of this, we propose that the rent relations be divided into two groups:

- the first group – combines those rent relations that are capable of providing investment interests;
- the second group – relationships that enable the tenants to meet the needs without affecting the investment interests.

Equally important from an economic point of view, there is a classification by way of financing, by the form of payment and by the system of rent payments. But I would also like to highlight in this category, in our opinion, the important features:

- Depending on the degree of risk – accidental loss of the object of rent, damage to the object of rent;
- Depending on the economic nature – operational, financial;
- Depending on the availability of risks and benefits – to the tenant; to the lessor.

Grouping on legal grounds involves the use of such a classification feature, such as the form of conduct, the form of the organization of the rent, the scope of rights and responsibilities, the duration of the transaction. Such a classification can be used to provide regulation and control of rental activities, analysis of the development of rent relations. The main theory and practice is the classification of objects and subjects of the rent, since the objects and subjects are the determining factor on which the nature of the contract and its main conditions depend. As to the objects of state property right, they should be classified as: objects that can not be rented and objects that may be used by other subjects of property rights.

Conclusions. Depending on the control over the use of the property rented, it is necessary to distinguish between:

- bodies that carry out state policy in the field of leasing;
- bodies authorized to manage an enterprise, which is the lessor of the relevant property.

Depending on the options for termination of the rent, distinguish:

- expiration of the term for which the contract was concluded;
- privatization of the object of rent;
- bankruptcy of the tenant;
- the death of the object of rent;
- liquidation of a legal entity that was a tenant or a lessor;
- upon agreement of the parties.

Summarizing the above, we note that, as well as national legislation, IAS allocates two types of rents – operating and financial. But at a time when domestic legislation emphasizes the legal separation of rent transactions, IAS 17 Rents emphasizes that the rent classification depends on the economic nature of the transaction, but not on the basis of a number of formal features. This circumstance is confirmed by the fact that the financial leasing of national legislation invests a different meaning than most of the West. In addition, it should be noted the existence of internal contradictions of legislation on rents.

The given systematization, identification and proposed classification of the rent is very important, since it depends on their legal regulation, documentary and accounting, and, consequently, the economic performance of enterprises.

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