

UDC 657.471: [657.474.51:658.8]:005.936.6

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## CHARACTERISTICS OF THE METHODS OF ASSESSMENT OF STOCK DISPOSAL TAKING INTO ACCOUNT THE SPECIFICITY OF THE ACTIVITY AS A SEPARATE ELEMENT OF THE COMPANY'S ACCOUNTING POLICY

The article examines the peculiarities of using possible methods of assessing the disposal of stocks depending on the individual situation, sphere and specifics of the activity of an industrial enterprise, and defines their main advantages and disadvantages in accordance with the National accounting regulations (standards) and International Financial Reporting Standards. It has been determined that stock assessment is an important prerequisite for the effective organization of stock accounting at the enterprise, which affects the accuracy of determining the financial results of its activity. In Ukraine, as in most other countries of the world, stocks are valued according to the actual costs of their acquisition at the time of receipt or use of stocks for production needs. The authors have conducted an analysis of the existing methods of inventory disposal assessment (method of identified cost, weighted average cost, FIFO, regulatory costs and sales price), which makes it possible to choose the most optimal of them for a separate group of stocks, taking into account the specific conditions of a particular enterprise. Directions for increasing the efficiency of inventory management at an industrial enterprise have been proposed.

**Key words:** inventory, methods of estimating inventory disposal, FIFO, identified cost method, weighted average cost method, standard cost method, selling price method.



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**Statement of the problem and its connection with important scientific and practical tasks.** The basis of the development of human society is material production in order to satisfy all material needs. It is important for an enterprise to have production inventory for production of products and provision of services.

Production stocks are determined as various factors of production. They are used as objects of labor in technological processes. They are fully consumed at all stages of production and fully affect the final cost of the finished product.

The receipt of inventory by a business and its sale is subject to taxes such as value added tax and income tax, as there is also a tax credit, total cost of inventory acquisition and tax liability on the sale of inventory.

Production stocks are often the most important part of the assets of an industrial enterprise, so it is necessary to study the issues on which the assessment of their

disposal depends. The completeness of the income data obtained by the business depends precisely on the choice of valuation method, as this can lead to an increase in the taxable income of the business if the wrong disposal method is chosen in case of a rise or fall in the market prices of certain inventories.

**The analysis of the latest publications on the problem.** In scientific and practical works, M. Boytsov, O. Brovko, F. Butynets, Y. Bakun, V. Fesenko, S. Golov, N. Dombrovska, P. Garasym, M. Pushkar, V. Zavhorodniy, M.S. Samko, H.M. Chamota and other scientists considered the issue of inventory accounting and valuation, but the question of how trade enterprises choose the optimal way of inventory disposal remains unsolved.

V.V. Fesenko substantiates his vision that the formation of financial results and profitability is affected by the method of inventory write-off, and also has an impact on the value of current assets in the structure of

the balance sheet at the end of the reporting period, on the liquidity and financial stability of the enterprise, on the formation of income tax before taxation from activities enterprises. In our opinion, it is appropriate to say that inventory valuation depends on many factors, the main of which is the inventory accounting system chosen by the enterprise. [2, Art. 55]

**Forming of the aims of the research.** Inventory placement assessment is the process of determining the value of inventory written off the company's balance sheet. The enterprise independently chooses the valuation method, comprehensively taking into account the peculiarities of the enterprise's inventory management, inventory classification, inventory pricing policy, technical capabilities of accounting automation, turnover and other factors. But at the same time, it is important to choose a method that will allow for the most accurate assessment, taking into account the interests of the owner of the enterprise and the specifics of trade activity [7].

The formation of commodity information in accounting and the methodological basis of its disclosure in financial reporting are regulated by the National accounting regulation (standard) (NP(S)BO) 9 "Inventories", which is a standard compiled on the basis of the International Accounting Standard (IAS) 2 "Reserves" taking into account the national characteristics of the economy of Ukraine.

In accordance with clause 16 of the national P(S)BO 9, inventory disposal is assessed using one of the following methods: the identified cost of the corresponding inventory maintenance unit, the weighted average cost, the cost of the inventory that arrived first (FIFO), regulatory costs, selling price [7]. The method of estimating the disposal of stocks is one of the elements of the accounting policy of the enterprise, which is necessarily reflected in the regulation on the accounting policy. During the formation of the regulation on the accounting policy of an industrial enterprise, it is necessary to correctly determine the method of disposal of stocks for specific groups of objects based on the analysis of the advantages and disadvantages of existing methods of disposal of stocks, taking into account the specifics of the enterprise's activities, which determines the purpose of scientific research.

**Giving an account of the main results and their substantiation.** A necessary condition for enterprises to carry out production activities is the continuous existence of a part of current assets in material form. To carry out the production process, the enterprise must have the necessary number of various labor items, the number of which directly depends on the type and characteristics of the enterprise's activity.

The object of work is a part of the property that a person affects in the process of work with the help of work tools. The object of labor participates in the production process once and fully transfers its value to the finished product. They include: raw materials and materials, fuel, semi-finished products, work in progress, spare parts, packaging, etc. As a rule, the spheres of production differ in the level of material intensity, labor intensity and capital intensity.

In some industries, material composition prevails (construction, food industry, mechanical engineering, oil refining, etc.), in others - labor costs (trade, household, accounting, auditing, legal, etc.), in others - fixed assets (electric power, gas industry, metallurgical industry, etc.), as a result of which almost no production enterprise can carry out activities without objects of labor (production stocks). It's just that the share of these projects in the volume of production (implementation) is very different in different industries.

The reliability of financial statements and the financial condition of enterprises largely depends on the correctness of the warehouse and cost accounting of commodity values.

Therefore, accountants responsible for inventory accounting face the following tasks [8]:

- timely execution of primary documents for all operations that depend on the receipt, storage and use of stocks;
- implementation of clear and complete control over the timely receipt, storage and economical use of goods in the production process in compliance with the established norms of material consumption at all stages of processing;
- obtaining of accurate data on the balances in warehouses and production units and in other places of storage and use on any date;
- systematic control over transport and procurement costs when purchasing goods;
- timely settlement with stock suppliers to control materials on the way;
- control of implementation of material support plans;
- establishment of a clear system of documentation and document circulation;
- carrying out planned and unplanned inventories and displaying their results in accounting;
- selection of a justified accounting policy regarding the method of stock assessment;
- timely identification of production stocks that are not used in economic activity and can be used to mobilize internal reserves, as well as finished products that are not in demand and are illiquid;
- display of inventory information in financial and tax reporting in accordance with current legislation.

If in an enterprise, what was purchased yesterday as a commodity, tomorrow can become a raw material or material, and vice versa, building materials can become fuel, and fuel can become raw materials, etc. In this case, they are classified as one or another type of inventory, or depending on the importance of their use in this business.

By technical characteristics, reserves are divided into groups, subgroups, types by name, type, degree, size and similar factors. This classification of production stocks is reflected in the nomenclature developed by the enterprise - a systematic list of materials.

We have analyzed the existing methods of inventory disposal assessment, identified their advantages and disadvantages (Table 1).

Table 1

## Description of inventory disposal assessment methods\*

Method	The essence of the method	Advantages	Disadvantages
Identified cost	This method determines the cost of each individual unit of inventory. It is used to calculate the price when: 1) a small assortment of stocks; 2) execution of special orders and projects; 3) belonging to only one unit with specific characteristics; 4) inexpensive prices for supplies; 5) impossibility of replacing them with other stocks.	1. Special labeling indicates the price for each unit of goods and material values, with the help of which enterprises control the movement of expensive or cheap goods. 2. It is used when applying accounting programs because it can track the movement of specific units for each item in inventory.	1. The ability to manipulate the size of the profit by subjectively choosing which shares to use during a certain period of time. 2. The complexity and impracticality of control over the assembly and use of specific units of each inventory item. 3. Identical stocks are accounted for at different cost prices, which is not always convenient.
Weighted average cost	The assessment is made per share by dividing the total number of shares in circulation at the beginning of the reporting month, plus the value of shares received in the reporting month, by the total number of shares at the beginning of the reporting month and shares received in the reporting month. The cost of inventory depends on the purchase of inventory at a higher price at the end of the month. It is used when identity verification and periodic accounting systems are inappropriate.	1. Detailed calculations for each unit of stocks are not required. 2. The weight of expensive inventory purchased at the end of the month exceeds the weighted average price per unit of inventory in the total inventory and, therefore, the cost of inventory written off, which will help reduce income tax.	1. During periods of rising prices, this method forces businesses to report on profits which exceed the real ones and pay excessive taxes.
FIFO	The cost of the originally purchased inventory must be attributed to the inventory that was originally disposed of. It is used for: 1) inventory in the form of food products (to avoid spoilage); 2) Enterprises with a preferential income tax regime.	1. It is advantageous to use it when it is planned to reduce purchases of materials or when a drop in the price of manufactured products is expected. 2. It offers the highest level of net profit during periods of constant price growth.	1. In the period of inflation, it ensures the availability of unreasonably inflated profits, which leads to the payment of excess funds in the form of income tax.
Standard cost	The standard accounting price is set by the company and is used to calculate inventory depreciation for the month. At the end of the month, prices are calculated based on actual costs. It is used by industrial enterprises with complex technology.	1. Most costs are covered by regulatory calculations. 2. It is possible to conduct an inventory of work-in-progress less often. 3. Separate accounting of changes in norms, that is, management of the implementation of the economy regime.	1. Constant revision of the norms of use of commodity stocks, labor force and current prices. 2. Covering the greater part of the cost with calculations that command.
Selling price	The cost of goods sold is defined as the difference between the sale price of goods sold and the amount of their trade mark-up. It is used by businesses with a significant reach or chain stores with roughly the same level of markup.	1. This method is common in the field of retail trade. Quickly reacts to price fluctuations.	1. The balance sheet (report on financial results) shows the sale price of goods less unrealized trade allowances. The values calculated in this way are very approximate and may differ from the actual cost of the product.

\* summarized by the authors based on sources [3; 5; 6]

The study has shown that the FIFO method is best suited for small businesses with small inventory receipts and disposals because they do not have extensive classification policies. If the enterprise has a large inventory of various names, and the intensity of changes in these inventories is also large, it is best to choose the weighted average cost method for its evaluation. Trade enterprises should not apply the normative calculation method. For retail enterprises, the selling price method is optimal.

So, in our opinion, in today's conditions, the optimal method of inventory write-off is the selling price method. But you should also not ignore other ways of writing off stocks, since their choice depends mainly on the specific situation and the field of business activity, which requires additional study.

To improve the management of production stocks of the enterprise, the following areas can be proposed:

- increasing the efficiency of information support for the management of the company's production base;
- improvement of automated systems of accounting and analytical work in the management of production stocks and demonstration of rational inventory methods.
- demonstration of the accounting system of material costs for the development of new equipment and production technology.

**Conclusions and prospects of the further investigations.** The conducted research shows that the efficiency of inventory management is very important, in the conditions of a market economy, increasing the level of

use of material resources is especially important. Improper accounting systems lead to incomplete and untimely receipt of reporting data and other information. However, to date, some fundamental issues, the organization of accounting for warehouse production stocks, remain debatable and need to be improved on the ground, depending on the production sphere and type of economic activity.

The company's choice of the best inventory valuation method helps to increase working capital, attract investment, ultimately achieve higher profits and improve the financial condition of the company as a whole.

As a result of the study, directions for improving the management of production stocks of an industrial enterprise have been proposed.

The implementation of improved TMC accounting by domestic enterprises will significantly increase the efficiency of their financial and economic activities. Solving complex and controversial issues of management of accounting and production analysis of business entities in order to create prerequisites for more effective work in the field of accounting will also be relevant.

The integration of production and accounting systems and the creation of complex information environments still exist, so the introduction of modern technologies will provide the necessary prerequisites for obtaining quality information for making effective management decisions. To solve the problems related to the accounting of production stocks, it is very important to implement automated tools that will make it possible to solve important problems effectively.

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Received 20 November 2022  
Approved 4 December 2022  
Available in Internet 17.03.23

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## ОСОБЛИВОСТІ МЕТОДІВ ОЦІНКИ ВИБУТТЯ ЗАПАСІВ З УРАХУВАННЯМ СПЕЦИФІКИ ДІЯЛЬНОСТІ ЯК ОКРЕМИЙ ЕЛЕМЕНТ ОБЛІКОВОЇ ПОЛІТИКИ ПІДПРИЄМСТВА

Запаси, як правило, є найбільш важливою і значною частиною активів промислового підприємства, тому актуальним є дослідження питань щодо їх оцінки в момент вибуття. Від вибору правильного методу оцінки вибуття запасів залежить об'єктивність даних про отриманий підприємством прибуток, оскільки неправильно вибраний метод списання в умовах збільшення або зменшення ринкових цін на ті чи інші запаси може призвести до завищення або заниження оподаткованого прибутку підприємства.

У статті розглянуто особливості використання можливих методів оцінки вибуття запасів в залежності від окремої ситуації, сфери та специфіки діяльності промислового підприємства, визначено їх основні переваги та недоліки згідно з Національними положеннями (стандартами) бухгалтерського обліку та Міжнародними стандартами фінансової звітності. Визначено, що оцінка запасів є важливою передумовою ефективної організації обліку запасів на підприємстві, яка впливає на точність визначення фінансових результатів його діяльності. В Україні, як і в більшості інших країн світу, запаси оцінюються за фактичними витратами на їх придбання на момент отримання або використання запасів на потреби виробництва. Авторами проведено аналіз існуючих методів оцінки вибуття запасів (метод ідентифікаційної собівартості, середньозваженої собівартості, ФІФО, нормативних витрат та ціни продажу), що дає можливість обрати найоптимальніший з них для окремої групи запасів, враховуючи специфічні умови діяльності конкретного підприємства.

Важливість правильного вибору методів оцінки списання виробничих запасів зумовлюється ще й тим, що цей вид витрат безпосередньо пов'язано з розрахунком собівартості продукції. Отже, фактично оцінювання виробничих запасів є основою для визначення собівартості та ціни виробленої продукції.

В умовах необхідності забезпечення ефективного функціонування суб'єктів господарювання, для досягнення найточніших та найкращих фінансових результатів, вибір методів оцінки списання виробничих запасів на потреби підприємства є важливою передумовою організації їх обліку. За результатами дослідження запропоновано напрямки щодо підвищення ефективності управління запасами на промисловому підприємстві.

**Ключові слова:** запаси, методи оцінки вибуття запасів, ФІФО, метод ідентифікованої собівартості, метод середньозваженої собівартості, метод нормативних витрат, метод ціни продажу.

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Стаття надійшла 10.11.2022  
Стаття прийнята до друку 4.12.2022  
Доступно в мережі Internet 17.03.23

Цитування згідно ДСТУ 8302:2015

Vaskovska K., Volodina O., Kosmachevska E., Sihidova V. Characteristics of the methods of assessment of stock disposal taking into account the specificity of the activity as a separate element of the company's accounting policy // *Food Industry Economics*. 2023. Vol.15, Issue 1. P. 25-30.

Cite as APA style citation

Vaskovska, K., Volodina, O., Kosmachevska, E., & Sihidova, V. (2023). Characteristics of the methods of assessment of stock disposal taking into account the specificity of the activity as a separate element of the company's accounting policy. *Food Industry Economics*, 15(1), 25-30.