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Kateryna Tkalenko
fifth year student of group 20.31
Research advisor:
Doctor of Economic Sciences, professor
Volodymyr Panteleiev
Professor of the Accounting and Taxation Department
National Academy of Statistics,
Accounting and Auditing
(Kyiv)

ON THE CHALLENGING ISSUES OF CASH CONCEPT DEFINITION IN ACCOUNTAING AND FINANCIAL REPORTING

Current development of economic relations reflects to the growing interest in cash, which is very important financial asset for every business entity. Nowadays an urgent issue in cash accounting is connected to the legal certainty of cash because of rapid development of IT-based management in business sphere. The main aspect in achieving appropriate accounting arrangements is to define the cash as economic concept. Besides, it is important to qualify the role of cash among other financial assets of enterprise. The cash must be also classified according to current necessity involving all features, which differ it from other financial assets of enterprise. By the way, it is necessary to refine the legal definition of cash on purpose to bring it into accordance with international accounting standards.

Due to the fact, that cash management practice is different in almost every country around the world, cash concept is regarded as money in cash on hand and demand deposits IAS 7 ‘Statement of cash flow’ [1].

The main element of cash asset is bank account money. Cash on hand is not widespread today but it is still used by entities to pay some costs, like employee travel expenses.

National law provisions of every country define different content of bank account money, so international accounting standards do not regard it. The accounting policy of a business entity must establish the essential features of these assets to regard and use them as cash in accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ [2].

Moreover, while identifying the asset as cash, it is necessary to draw attention to the motivation for holding cash. First of all, it is urgent to determine the transaction demand of the asset. So, the main purpose of cash bases on payment for goods and service, remuneration, tax remission and mandatory payments, etc. Besides, precautionary demand is worth to regard. As a matter of fact, in the regular course of business it must be foreseen precautionary demand to compensate for damaged products. For example, if a consignment of goods was damaged during delivery to the buyer, the cost of refund is covered by using cash. Another important necessity of cash holding is speculative demand. In other words, it is named the unscheduled costs. For example, if you expect a sharp decline in the price of a particular production resource with further growth, the company may receive additional profits if you purchase this resource [5, p.688].

It is also important to distinguish such accounting concepts as cash and cash equivalents. Cash equivalents are regarded as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It must be admitted that cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

According to the provisions of IAS 7 ‘Statement of cash flow’ [1] an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Although the reference to three months might not be viewed as establishing a ‘bright line’ threshold, it is a benchmark that is wildly used in practice. One point which is frequently overlooked is that the three month period to maturity is based on the date on which an entity acquires an asset. Consequently, a one year fixed term deposit held by an entity does not become a cash equivalent when the period to maturity has reached three months. So, the regarded period is sufficient by itself to reach a conclusion that an investment would not be subject to a more than insignificant risk of changes in value. It is still necessary to consider other attributes of short term investments. It can be possible that an entity would be able to invest funds on a short term basis at a high rate of return that would put these funds at a more than insignificant risk of changes in value. For example, these can be investments with low credit ratings such as certain asset backed securities. In these cases, the investments would not be regarded as being cash equivalents because they are subject to more than insignificant changes in value [3, p.5-6].

While on the subject of demand deposit, these assets are not defined in IFRS. However, in order to qualify as cash, the related balance needs to have the same liquidity as cash itself, and so funds on demand deposit need to be capable of being withdrawn at any time without penalty.

In general, deposits which can be withdrawn without penalty within 24 hours, or one working day, are regarded as being demand deposits. These include amounts deposited at financial institutions. These cash may extend to cover deposits at non-financial institutions such as legal advisers, if funds are held for client in separate and designed accounts that can be called upon by the client at any time. By the way, if a deposit does not qualify to be regarded as cash, it may qualify to be classified as a cash equivalent [3, p.6].

For the purpose of financial reporting it must be clarified the difference between such concepts as cash and cash flow. According to IAS 7 ‘Statement of cash flow' [1] cash flow embodies all incomes and payments made within a certain period and highlighted that potential inconsistencies can appear for that period.

Cash refers to the physical money that the business possesses at the bank or is held on the business premises. It is not in the form of stock, accounts receivables or fixed assets. These assets have the potential to be converted into cash but cannot be used to settle outstanding debts with suppliers or to pay rent and employees' wages. An increase in profits does not automatically mean that there will be an increase in cash available. A profit is the expected amount of turnover that a business sets out to obtain over a period, while cash is the physical money one has on hand to keep one's business running by paying off expenses.

Cash flow refers to the inflow and outflow of money in the business. Observing the money coming in and going out of the business is one of the most time consuming responsibilities of management for any business. Money flows out of the business when expenses need to be paid, suppliers' bills are settled and employees' wages need to be issued. Money flows into the business when cash is received from lenders or customers pay off their outstanding debts. If there is a greater cash inflow than a cash outflow, the business has a positive cash flow [4, p.77].

The challenging issue of financial reporting is due to the differences between balance and other statements and their complementary dependence.

A set of statements includes an income statement that covers an entire accounting period and a balance sheet that can be thought of as a snapshot at the end of that period. The derived statement of cash flows, like the income statement, represents flows over an entire period.

The balance sheet lists everything a company owns and everything it owes at a moment in time. Stated another way, it shows where all of the business's money has come from and hat it's been used for. The fundamental principle is that all the sources of money and all the uses must be equal.

The income statement reflects flows of money over a period of time. The duration of this accounting period is commonly a year. The balance sheet represents stocks of money at a point in time. The income statement shows money flowing in and out of the organization. Revenues flow in while costs and expenses flow out. The difference is profit. The balance sheet makes a statement as of a moment in time. It says at this instant the company owns a particular list of assets and owes a particular list of creditors [5, p.70].

It is also important to regard the relationship between net income and retained earnings in financial statements. The interaction between these elements is worth to understand. Net income (earning after tax) becomes part of retained earning and therefore part of equity at the end of the accounting period if it I not distributed to the owners. That happens if no new equity investments are made and nothing is paid out to the owners during an accounting period [5, p.74].

In Ukraine, cash flows are regulated by the General Financial Reporting Requirements, which stipulates that cash is cash, bank accounts and demand deposits. Form № 3 "Statement of cash flows" (annual) is part of the elements of financial statements and it provides data on cash flows (cash) during the reporting period as a result of operating, investing and financing activities [6].

Summing up above, it must be admitted that appropriate cash accounting management is one of the most important elements of business activity. Nowadays the urgent issues are devoted to identifying main features of cash as accounting concept to distinguish it from related concepts. Besides, the legal definition and the accounting process of these assets should be harmonized to international standards.

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Ткаченко Т. А.

здобувач вищої освіти І курсу магістратури групи ООд-16.01

Науковий керівник:

д.пед.н., професор,

Теловата М. Т.

Національна академія статистики, обліку та аудиту

(м. Київ)

АКТУАЛЬНІ ПРОБЛЕМИ ОБЛІКУ ЗАПАСІВ

Облік оборотних активів для будь-якого суб'єкта господарювання є актуальним питанням, як з теоретичної так і з практичної точки зору. Забезпечення якісного, достовірного та оперативного обліку запасів на підприємстві, має визначний характер для суб'єктів господарювання, основна діяльність яких пов'язана з виробничим процесом. Правильне та безперебійне функціонування підприємства, може бути забезпечене шляхом надання