

ACCOUNTING AND AUDITING

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TYPES OF THE PROFIT ACCORDING TO THE LEGISLATION OF UKRAINE: THEORETICAL AND METHODOLOGICAL APPROACHES TO EXPLORATION AND CALCULATION

Maximization of the financial results is the main goal of all businesses. An analysis of the existing approaches to the classification made it possible to clarify its main types, and also to justify the classification marks. Different types of profit (loss) according to national accounting standard 17, national accounting standard 22, national accounting standard 24 are singled out. An approach to the determination of net profit is pointed out. The accounting aspect of the essence of the financial result is highlighted. The methodics of calculating the income tax and, accordingly, the net profit of enterprises in different years is investigated. The classification of financial results is conducted. It was found that in different years, due to changes in legislation, the methodics of calculating the income tax and, accordingly, the net profit of enterprises, differed.

Keywords: types, profit, legislation, approaches, exploration, calculation, financial results, accounting, reports, construction companies, activity.

Introduction.

Increasing the size of financial results is the main task any economic activity as it enables the expansion of volumes. It is the basis for further development, the measure of determining the solvency of the enterprise, a source of investment, fulfillment of obligations to counteragents and the budget. The size and dynamics of financial results make it possible to analyze the efficiency of the economic interconnections that are formed in the process of reproduction, and also provide economic and social development of business structures.

In order to properly reflect the construction companies' reporting on the consequences of operations relating to the formation and distribution of profit, it is advisable to investigate the problem of classification of profit according to the legislation of Ukraine.

Analysis of recent research and publications.

The economic literature thoroughly analyzes the approaches of different scientific schools to determine the classification of profit. The research of the classification of profit was made by such scientists as I. Blank¹, M. Skrypnyk², V. Sopko, M. Benko³, A. Zagorodniy⁴, O. Osadcha⁵, I. Polishchuk, M. Kolesnikova⁶ and others. Problematic aspects of classification of financial results of construction enterprises are investigated in the monograph by Z.-M. Zadorozhny, manuals by A. Tugay, E. Shilova, A. Goyko, N. Verkhhorizovoy, D. L. Levchinsky, O. Gerasimova, O. Shcheglova, P. Rogozhina. However,

¹ Бланк, И.А. (1998). *Управление прибылью*. К. : Ника-Центр, 544.

² Скрипник М. (2003). Аналіз методики обліку фінансових результатів в умовах реформування обліку. *Українська наука: Минуле, сучасне, майбутнє*, 6, 285-289.

³ Сопко В.В. (2007). Сутність та класифікація фінансових результатів діяльності підприємств в бухгалтерському обліку. *Економічний аналіз*, 1 (17), 315-317.

⁴ Загородній А.Г. (2007). *Фінансово-економічний словник*. К.: Знання, 1072.

⁵ Осадча О.О. (2017). Уніфікація облікового забезпечення контролю формування фінансових результатів суб'єктів господарювання: *дисертація на здобуття наукового ступеня кандидата економічних наук*. Київ: КНЕУ, 573.

⁶ Поліщук І.Р. (2014). Класифікація прибутку на напрями його розподілу для цілей бухгалтерського обліку: стратегічний аспект. *Проблеми теорії та методології бухгалтерського обліку, контролю та аналізу*, 1(28), 238-252.

the problematic issues of classification of the profit of construction enterprises require additional research, taking into account the legislation of Ukraine

Target setting.

The purpose of the study is to conduct analytical research of profit calculation and determine the possibility of the practical application of the profit classification, which exists according to the legislation of Ukraine.

The statement of basic materials.

As Kimberly Amadeo¹ rightly says “profit is the revenue remaining after all costs are paid. Companies use profit to calculate their tax obligation and the dividend they can pay to shareholders”.

We have analysed different identifications of the profit and came to the conclusion that the definition of National accounting standard 1 «General requirements for financial statements» is most often found in the works of domestic scientists, which is quite objective and logical. It should be noted that the profit of individual scientists is interpreted solely from the point of view of political economy, in particular as an additional value, part of the value of the additional product, its monetary expression, the derivative form of the additional value is transformed (V. Andriychuk, K. Posalyaeva, V. Garbuzov, M. Danylyuk, I. Ignatyuk, V. Shilo, M. Moldavanov, B. Havrylyshyn and others).

Supporting the need to determine the nature of profit in the relevant interpretations, we note that since it is a reduction of the interests of distribution entities, this should necessarily be noted in the identification of profit along with the conditions for its calculation. From our point of view, the profit is definitely:

- the factor of development and the consequence of any production, the purpose of creation and operation of the enterprise, the generator of the production process, a source of maintenance of internal needs of the enterprise;
- the main indicator of effective activity of the enterprise;
- the financial result of the business entity, obtained in cooperation with contractors as a result of the use of knowledge, skills and abilities of employees, if the received income exceeds the expenses incurred.

Having received profit, every business entity seeks to use it most effectively, since the direction of distribution of profit depends on the development of the enterprise in the future, its resistance to changes in the external and internal environment, and so on.

We analyzed the financial statements of 64 construction enterprises of Ukraine in 2017, the main activities of which are: construction of pipelines, construction of residential and non-residential buildings, construction of roads and motorways, construction of buildings, other specialized construction works. According to available data, 25 enterprises in 2017 worked at a loss, 37 – profitable, 2 – with a zero indicator of activity. Their share in the population under study (64 units) is shown in Fig. 1.

Present provisions in terms of distinguishing the components of profit by different classification marks complicate the provision of analytical accounting information for its effective distribution. In order to properly reflect the effects of operations with distribution of profit for any enterprise, there is a need to identify and categorize existing profit because depending on the type, the reporting is different. It is well known that classification is a system of distribution of objects or concepts, groups, etc. by common features, properties. In our opinion, the presence of different types of profit is related to the need to provide information to different users. For example: the owner needs information about the total net profit to determine the effectiveness of the operation and further expansion of the activity, the amount of profit from individual activities; for tax authorities, the correctness of accrual is important and payment of the taxable part of profit; for the shareholders themselves, the amount of net and distributed profit is important for determining the amount of dividends to be paid.

From the point of National accounting standard 1 «General requirements for financial statements» (fig. 2) there are such types of profit: gross: profit (loss); financial result from operating activities: profit, loss; financial result before tax: profit, loss; profit (loss) from discontinued operations after tax; net financial result: profit, loss; net profit (loss) per one ordinary share; adjusted net profit (loss) for one ordinary share; accounting profit (loss); tax profit (loss).

¹ Amadeo, K. (2018) Profit, the catalyst for capitalism. *The Balance* <<https://www.thebalance.com/what-is-profit-and-how-does-it-work-3305878>>. (2019, February, 04).

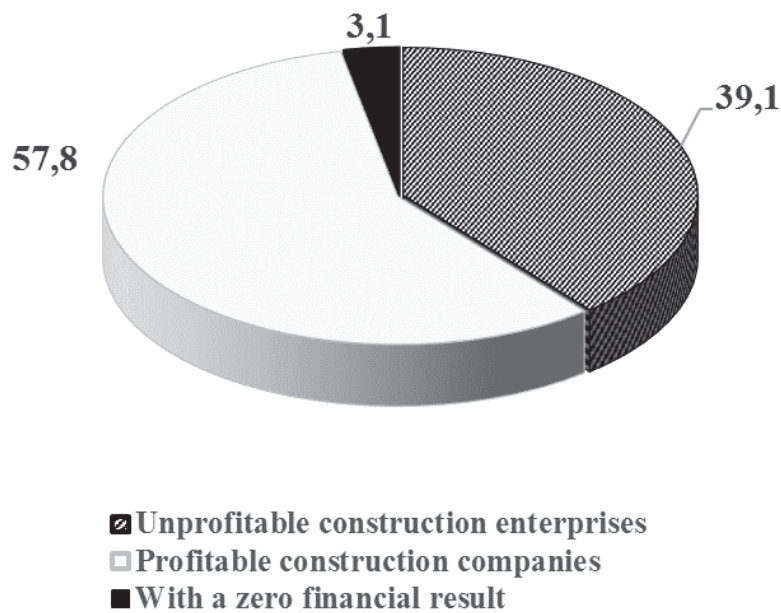


Fig. 1. Share of unprofitable and profitable construction enterprises (according to their financial statements, 2017, %)

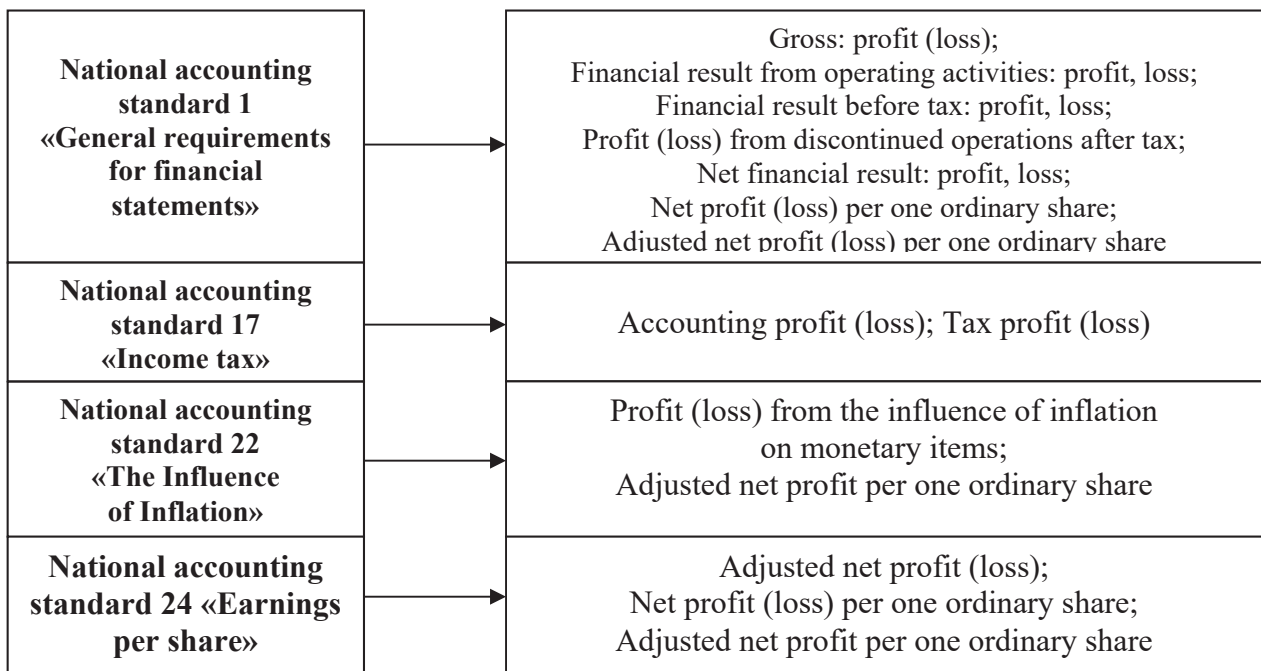


Fig. 2. Types of profit (loss) according to national accounting standards

Instead, National accounting standard 17 «Income tax» operates with the notions of accounting (calculated on the basis of accounting and reflected in the statement of financial results) and tax profit (loss) (determined in accordance with the requirements of tax legislation). We consider such a distinction to be inappropriate, since the profit tax is determined by the accounting rules, taking into account tax differences.

Therefore, in National accounting standard 17 «Income tax» it is necessary to make appropriate changes, on which it is expedient to use exclusively the notion of accounting profit. The concept of tax revenue during the period of 1991-2016 is shown in table 1.

Table 1

Calculation of the net profit in Ukraine

Period	Regulatory document	Tax object tax on profit	Tax rate, %	Formula for determining net profit
1991 – 1995	Law of Ukraine "On Taxation of Income of Enterprises and Organizations" № 2146-XII, 21.02.1992.	Gross income of the enterprise (the amount of income from the sale of products (works, services), other tangible assets and property, intangible assets and income from non-operating operations, reduced by the amount of costs for these operations	35	Financial result before tax - Gross income *0,35
1995 – 1997 (1 semester)	Law of Ukraine "On Corporate Profit Tax" № 334/94, 28.12.1994	The correction of the amount of balance profit, which allowed avoiding double taxation, was determined	30	Financial result before tax - Adjusted balance sheet profit*0,3
1997 (2 semester) – 2003	Law of Ukraine "On Taxation of Profits of Enterprises" in the wording of 22.05.97p. № 283/97	The reduction of the amount of adjusted gross income for the reporting period to the amount of the taxpayer's gross expenses and the amount of depreciation deductions		Financial result before tax - (Gross income –gross losses – amortization) *0,3
2004 – 2011 (1 quarter)			25	Financial result before tax - (Gross income –gross losses – amortization) *0,25,
2011 (2 quarter) – 2011 (4 quarter)	Tax Code of Ukraine № 2755-VI, 02.12.2010	Profit with source of origin from Ukraine and abroad, determined by reducing the amount of income of the reporting period to the cost of sold chefs, services rendered and the amount of other expenses of the reporting period	23	Financial result before tax - (Income-Cost-other losses)*0,23
2012			21	Financial result before tax - (Income-Cost-other losses)*0,21
2013			19	Financial result before tax - (Income-Cost-other losses)*0,19
2014			18	Financial result before tax - (Income-Cost-other losses)*0,18
2017 (1 quarter) – to this day			18	Profit, determined by adjusting the financial result before tax, determined in accordance with P (C) BO or M (C) FZ, on the differences that arise.

In different years, due to changes in legislation, the method of calculating the profit tax and net profit of enterprises, has been perfectly different.

At once, in three documents (National accounting standard 1 «General requirements for financial statements», National accounting standard 22 «The Influence of inflation», National accounting standard 24 «Earnings per share») such type of profit as adjusted net profit for one ordinary share is singled out. This concept is used exclusively in joint stock companies.

We have made a generalization of the classifications of financial results which are available in studies of M. Skrypnyk¹, Z. Zadorozhny², I. Polischuk³, L. Leshchenko⁴, I. Blank⁵, L. Dyadechko⁶, V. Sopko⁷, O. Osadcha⁸, I. Panchenko⁹ and we have pointed out that the classification features of the profit must be following: sources of formation; type of accounting; degree of taxation; type of production; the process of formation; assessment method; frequency of profit; activities; nature of expenses which are not taken into account; composition of elements generating profit; character of profit taxation; the nature of the inflationary "cleaning" of profit; period of profit generation; the nature of profit; the value of the final result of the management.

Regarding the interpretation of the classification of financial results in management accounting, in the studies of L. Napadovskaya¹⁰, the concept of financial and managerial result is distinguished: "... in financial accounting, the result as a whole on an enterprise is determined by comparing costs (in terms of elements) with production output; in managerial – on products, and then on internal and external segments". As O. Osadcha¹¹ rightly states, the economic and accounting concepts of profit definition differ: accounting focuses only on explicit costs (acquisition of raw materials, materials, etc.), while implicit (alternative) costs are allocated in economic theory (implicit costs (fee for the use of those resources owned by the company, for example, interest received on placement of funds on deposit, subject to availability of a deposit agreement).

E. Hendrixen and M. Van Breda¹² emphasize that "... it is difficult and inappropriate to calculate the economic profit in accounting, but the task of accounting is to provide investors with information to calculate this indicator". At present, the economic profit in the absence of a legally regulated mechanism for calculating implicit costs is not calculated by economic entities, but the accounting profit is periodically determined when preparing a statement of financial results (statement of comprehensive income).

The proposed classification separates those features that identify profit for accounting purposes (in within the subsystems of financial, managerial accounting and tax calculations). Getting a certain amount of profit it is very important for each company to have a definition of its main directions use, since

¹ Скрипник, М. (2003). Аналіз методики обліку фінансових результатів в умовах реформування обліку. *Українська наука: Минуле, сучасне, майбутнє*, 6, 285-289.

² Задорожний, З. В. (2006). *Внутрішньогосподарський облік у будівництві: монографія*. Тернопіль: Економічна думка, 336.

³ Поліщук, І. Р. (2014). Класифікація прибутку на напрями його розподілу для цілей бухгалтерського обліку: стратегічний аспект. *Проблеми теорії та методології бухгалтерського обліку, контролю та аналізу*, 1 (28), 238-252.

⁴ Лещенко, Л. О. (2014). Аналіз прибутку підприємств, його види та функції. *Вісник Харківського національного аграрного університету ім. В. В. Докучаєва*, 4, 236-240.

⁵ Бланк, І. А. (1998). *Управление прибылью*. Київ: Ника-Центр, 544.

⁶ Дядечко, Л. П. (2007). *Економіка туристичного бізнесу*. Київ: Центр учбової літератури, 224.

⁷ Сопко, В. В. (2007). Сутність та класифікація фінансових результатів діяльності підприємств в бухгалтерському обліку. *Економічний аналіз*, 1 (17), 315-317.

⁸ Осадча О.О. (2017). Уніфікація облікового забезпечення контролю формування фінансових результатів суб'єктів господарювання: *дисертація на здобуття наукового ступеня кандидата економічних наук*. Київ: КНЕУ, 573.

⁹ Панченко, І.А. (2012). Класифікація прибутку для цілей бухгалтерського обліку, аналізу та контролю: критичний аналіз існуючих підходів. *Проблеми теорії та методології бухгалтерського обліку, контролю та аналізу*, 1 (22), 224-236.

¹⁰ Нападівська, Л.В. (2000). *Управлінський облік: монографія*. Дніпропетровськ: Наука і освіта.

¹¹ Осадча, О.О. (2017). Уніфікація облікового забезпечення контролю формування фінансових результатів суб'єктів господарювання: *дисертація на здобуття наукового ступеня кандидата економічних наук*. Київ: КНЕУ, 573.

¹² Хендриксен, Э.С., Ван Бреда, М.Ф. (1997). *Теория бухгалтерского учета*. Москва: Финансы и статистика.

it depends on these decisions, possibility to be sure of the ability economic entity to be resistant to economic, political, social and other changes.

Conclusions. Lack of a unified approach to profit classification makes it impossible to precisely define objects of accounting. An analysis of the existing approaches to the classification made it possible to clarify its main types, and also to justify the classification marks such as: sources of formation; type of accounting; degree of taxation; type of production; the process of formation; assessment method; frequency of profit; activities; nature of expenses which are not taken into account; composition of elements generating profit; character of profit taxation; the nature of the inflationary "cleaning" of profit; period of profit generation; the nature of profit; the value of the final result of the management, what allows to reflect in the accounting directions of distribution of profit, provided by the current legislation and constituent documents.

Application of the proposed classification for the organization accounting and control of operations for the formation of profit contributes to increasing the analyticality of accounting information about the financial results of various activities. Types of profit (loss) according to national accounting standards are selected. It was found that in different years, due to changes in legislation, the methodology for calculating the income tax and, accordingly, calculating the net profit of enterprises, differed. The methodics of calculating of accounting and economic profit is investigated.

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