

Accounting policy regarding the risks of business entities

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Abstract

The article examines the problem of taking risks into account in the activities of enterprises using the accounting system. The expediency of risk positioning in the accounting policy is substantiated. An analysis of the presence/absence of provisions on risks in the Orders «On Accounting Policy» of 40 enterprises of the Ternopil Region was carried out. On the basis of critical analysis, the use of the graphic method and generalization, the level of consideration of risks in the accounting policy was revealed. The expediency of assessing the level of consideration of risks in the accounting policy is substantiated. A questionnaire approach to conducting such an assessment and ranking of risks is proposed. Thanks to questionnaires and modeling, the content and implementation methodology of the first stage of forming and changing the accounting policy on the basis of risk management and taking into account the company's development strategy was formed.

The application of the developed proposals will allow to correctly assess the state of the accounting policy regarding the accounting of risks, to form provisions that are relevant in the strategic plan. This will ultimately contribute to the improvement of accounting and risk management, will allow to develop a system for ensuring the stable financial condition of the enterprise.

Keywords: accounting policy; risk; activity; assessment; management; improvement.

1. Introduction

Modern challenges and threats that exist and affect the activities of business entities require the activation of various stabilizing tools and levers aimed at achieving business efficiency. In the conditions of war and the crisis that is its result, such a task becomes especially difficult. The objectivity of the situation that exists in the modern business environment does not allow to fully realize all opportunities and levers. But among them there are those that belong to the category of permanent ones, and their use for improvements does not require specific conditions. Among them should be called accounting. The requirement of its obligation throughout the entire activity of the enterprise is the internal tool that can be constantly used to optimize management. Accounting is capable of providing a rationalizing mission and increasing the efficiency of activities. This is related to its functions, principles and foundations.

The proper organization of accounting directly affects the efficiency of economic activity, and in this process, attention should be paid to the accounting policy. In general, accounting in Ukraine is well regulated and legally protected. But even strict regulation still implies the presence of some alternatives. The accounting policy allows you to solve this issue in order to ensure compliance with the principle of consistency (one of the seven provided by the Law of Ukraine «On Accounting and Financial Reporting in Ukraine»).

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In legislative and regulatory documents, as well as accounting standards, there are a number of points that require a solution through the accounting policy. Undoubtedly, such elements, for example, are the assessment of stocks, the calculation of depreciation of non-current assets. However, the range of issues that can be resolved by the provisions in the relevant order is much wider. In particular, as practice shows, their composition also includes expenses, cost price, etc.

Achieving clarity, balance, and optimal accounting display and organization of this system requires the formation of an appropriate accounting policy. Accounting policy should provide a rational and adequate combination of rules and regulations that would satisfy not only internal management requests for information, but also comply with current regulations. In addition, accounting should take into account instability and crisis in order to ensure the sustainable development of the enterprise and make effective operational and strategic management decisions. This requires a scientific study of important issues related to the coordination of all alternative options and the selection of the most rational accounting approaches.

2. Literature review

The problem of accounting policy, identification of its essence, tasks and principles of formation has been investigated by many scientists. The analysis of recent research shows that scientists and practitioners pay maximum attention to the issue of formation of the Order on accounting policy and its structure, as well as organizational issues related to the implementation of accounting alternatives. At the same time, attention should be paid to the close connection between accounting provisions and modern challenges. In particular, in recent years, the accounting policy has increasingly addressed the issue of securing against risks, overcoming or smoothing their negative impact (Heorhieva, 2010; Kondraszuk, 2011; Hnylytska, 2014; Vyhivska et al., 2015; Hudzenko and Havrysh, 2019; Malikov, et al., 2022; Yatsyshyn et al., 2022).

The activation of this type of research indicates the importance of accounting policy as a kind of regulatory and a positive phenomenon that enables the implementation of innovative approaches to the accounting display of economic processes.

Among Ukrainian researchers of accounting policy, it is worth paying attention to the works of such scientists as Vyhivska, Grabchuk and Zelenina, 2015; Pravdyuk and Koval, 2020; Shevtsiv and Mosolova, 2020; Shushakova, Zybchenkova and Kuzub, 2021; Loskorich, 2021; Tesak, 2022 and other.

Despite the wide enough representation of this direction in scientific, educational and other professional literature, many questions remain unresolved. In particular, problems related to the formation of accounting policy in the context of risk-oriented management are relevant. The development of the named direction of research will ensure the qualitative improvement of the accounting system from the point of view of the adequacy of the assessment of accounting objects, the financial condition of economic entities, the construction of strategic models of activity in conditions of risks. In the complex, this will contribute to the creation of a higher quality management information base and the adoption of well-founded decisions in the process of conducting the business entity's activities.

In general, today the position of scientists is relevant that: «business entities should clearly understand that the main condition for their effective management, attraction of investment resources is the display of reliable and complete information that users want to study by the accounting system» (Shushakova et al., 2021).

On the other hand, scientists rightly believe that in the current unstable conditions, it is worth intensifying the use of modern tools for evaluating management activity (Parasii-Verhunencko et al., 2020). One of tools, in our opinion, is the consideration of risks. Under these conditions, the accounting policy act as the strongest basis for improving the information management and decision-making system.

A critical analysis of the available literary sources allows us to note that the most attention is currently paid to tax risks.

In addition, studies of the risks associated with the use of modern information technologies have been intensified. For example, Tesak (2022). analyzed the risks of using blockchain technology in her research and grouped them into 8 groups depending on their areas: «energy-intensive systems, lack of familiarity and standardization, cyber security and other technical problems, accounting practice, auditing practice, alternative technologies, technological barriers, threat of cyber attacks»

Risks of this type are increasingly in the field of view of researchers, but mostly they concern, as evidenced by our analysis of literary sources, the protection of account data. In addition, it should be recognized that there is an interest in the risks associated with the activities of enterprises, which can be reflected and mitigated in accounting. In a similar direction, the scientific researches of Loskorich The author's position in this context is sufficiently weighted and boils down to the formation of reserves for risk management of IT enterprises (Loskorikh, 2021).

Such experience can be useful for any other types of enterprises through certain adaptations of analytical accounting accounts (subaccounts). In addition, the scientist's generalization about the types of reserves (created in accordance with legislation; reserves related to asset depreciation; reserves for future expenses) should be taken into account. Possible improved accounting approaches should be prescribed under such grouping in the accounting policy.

The brief overview presented above indicates the depth and need for comprehensive use of accounting policy tools to identify its new provisions, use of innovative methods of accounting display, formation of schemes for their implementation, substantiation of approaches and indicators arising from existing risks and challenges.

3. The identification of previously unresolved issues and the formulation of research hypotheses

The purpose of conducting the research and summarizing its results in the article is to identify the essence of risk-oriented provisions of the accounting policy and the possibility of establishing and formulating possible directions for the development of the accounting system of the enterprise with an emphasis on the requirements of risk management to reduce them.

4. Research methodology and methods

The article is devoted to the problem of taking risks into account in the activities of enterprises with the help of accounting policy and the accounting system. In the research process, general scientific and special research methods were applied. The use of a critical analysis of the presence/absence of provisions on risks in the orders «On accounting policy» of 40 enterprises of the Ternopil region made it possible to conclude that they are insufficiently taken into account in the practice of the studied business entities. On the basis of the analysis, the use of the graphic method and generalization, the level of consideration of risks in the accounting policy was revealed. The expediency of using a questionnaire to assess the level of consideration of issues related to risks in the accounting policy is substantiated. A questionnaire approach to conducting such an assessment and ranking of risks is proposed. Thanks to questionnaires and modeling, the content and implementation methodology of the first stage of forming and changing the accounting policy on the basis of risk management and taking into account the company's development strategy was formed. The application of the developed proposals will allow to correctly assess the state of the accounting policy regarding the accounting of risks, to form its provisions that are relevant in the strategic plan. This will ultimately have a positive impact on risk management and ensure the stability of the company's financial condition.

5. Main results

The assessment of the formation and content of the accounting policy of modern Ukrainian enterprises confirms the fact of its improvement taking into account new needs and requests. More and more business entities are showing interest in solving problematic accounting issues to improve the efficiency and effectiveness of their activities.

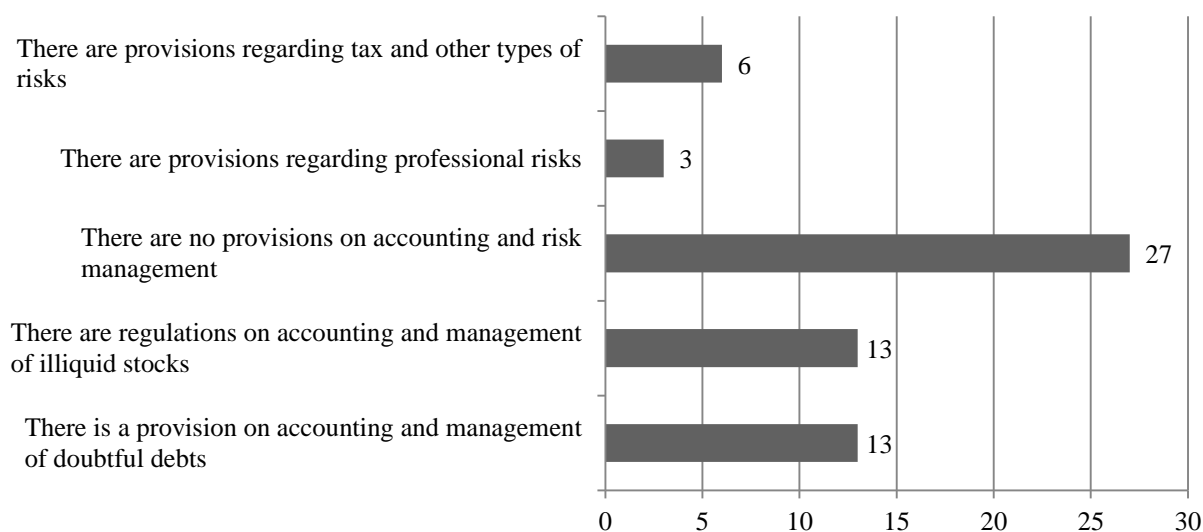
Usually, the accounting policy solves a certain range of issues. For example:

- 1) methods of recognition of assets and liabilities (method of balancing assets and liabilities);
- 2) methods of assessment of assets and liabilities;
- 3) method of determining the financial result;
- 4) distribution of received profit or indication of sources of loss coverage (Szlachetka, 2012).

But it is expedient to use such a tool to optimize the activities of economic entities in general. As a rule, the management of enterprises usually does not introduce evaluation systems and does not monitor the effectiveness and impact of the accounting policy itself on the final results of applying its prescriptions. This, in our opinion, does not contribute to the search for available legal opportunities to improve performance indicators precisely through the mediation of accounting policy. From a practical point of view, the lack of an assessment of costs and the result of changing the accounting policy leads to a formal attitude to this important element in the accounting system.

It would be more rational to implement evaluation measures so as not to waste time and money on unproductive actions. The assessment is appropriate for establishing the optimum that balances the loss and profit from the actions taken in relation to the accounting policy (Pravdyuk et al., 2020; Shevtsiv and Mosolova, 2020). In addition, it is useful purely from the point of view of information both for the specialists of the enterprise and for other business entities. It is by having a positive or negative example of the application of innovative approaches in the accounting policy of other enterprises that managers can form the appropriate practice at their enterprises.

Having studied the orders «On accounting policy» of 40 economic entities of various forms of ownership of the city of Ternopil and the Ternopil region (including those placed in free access on the Internet), we can state that the results of the study show that the issue of risks is presented in the accounting policy of these entities economic entities are too limited and relate to a narrow range of problematic aspects (Fig. 1).

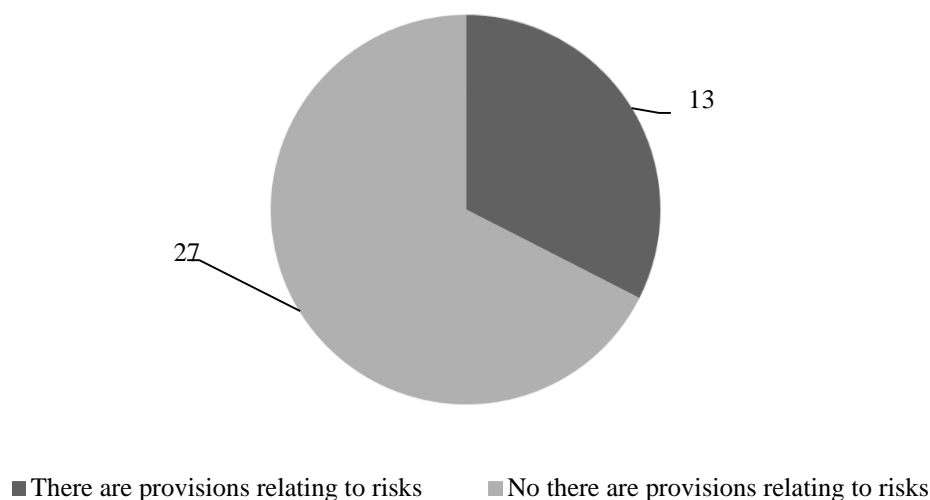


Note: author's research 40 business entities of the Ternopil region

Fig. 1. Availability of risk provisions in the orders «On accounting policy»

The sample of subjects had the following structure: 10 subjects for the provision of services of a compatible form of ownership (condominium); 10 subjects of production direction of private ownership; 10 state-owned entities (educational institutions); 10 collective ownership agricultural entities.

Represented in fig. 1, the results show the presentation of provisions in the accounting policy that can be attributed to the «accounting and risk management» category. At the same time, it should be noted that the points identified by us are simultaneously present in a number of orders (by the way, in our opinion, the number of provisions on risks depends on the type of business entity and its form of ownership). And in general, if we divide them into only 2 groups – «existing provisions on risks» and «absent provisions on risks», then our research shows that only 1/3 of all the investigated Orders have clauses that can be attributed to the category of «accounting and risk management» (Fig. 2).



Note: author's research

Fig. 2. Distribution of the accounting policy of the investigated enterprises in terms of «There are provisions relating to risks» and «No there provisions relating to risks»

Another result of our research is the fact that provisions about risks appear with a certain systematicity. First, they are most often implemented by entities belonging to the group of service providers. They seek to protect themselves from unscrupulous or insolvent counterparties. For example, 10 subjects, which are Associations of co-owners of multi-apartment buildings (OSBB), were analyzed as part of the studied Orders on accounting policy. These are subjects with a compatible form of ownership. They have at least 1–2 points regarding risks in the accounting policy. In particular, regarding the policy of repayment of receivables and the formation of a reserve for doubtful debts and regarding the recognition of stocks that will not bring any benefit in the future.

Among privately owned production enterprises, the percentage of risk positioning in the accounting policy is much lower. Of the 10 studied entities, only 7 have provisions regarding tax and other risks, as well as risks related to professional activity. As for state-owned entities, professional risks are provided for in 2 out of 10 investigated Orders on accounting policy.

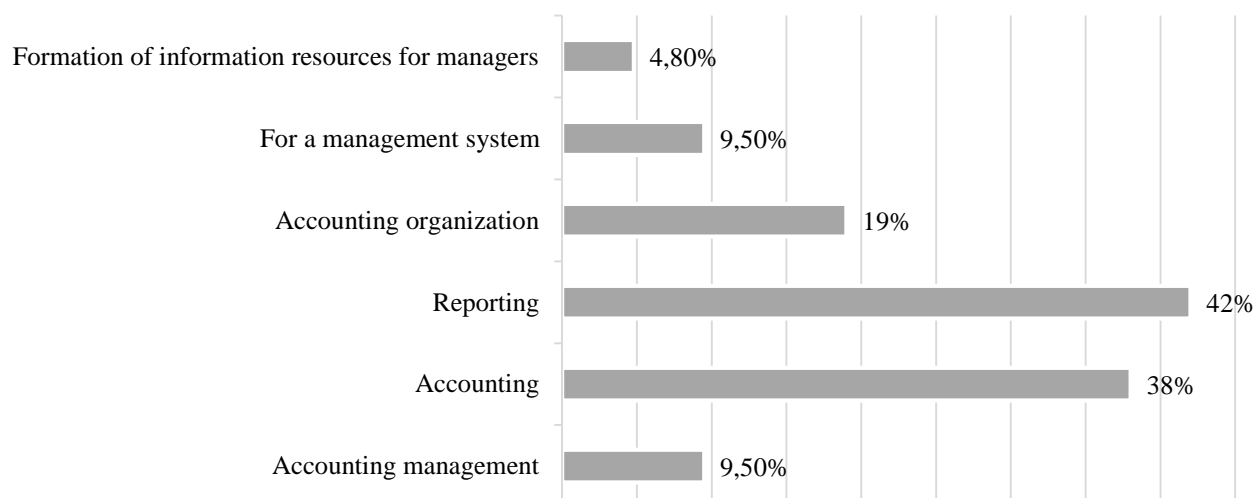
It can be stated that, in general, the risks and issues of their resolution with the help of the accounting system are not sufficiently implemented by modern business entities. Given this, the possibilities of establishing and formulating directions for the development of the company's accounting system with a bias towards meeting the requirements of risk management are also insufficiently identified.

At the same time, the Action Plan for the implementation of the Development Strategy of the Ternopil Region for 2021–2027 contains points related to increasing the efficiency of the management information base in the conditions of modern challenges. In particular, one of the examples is the planning of improving the efficiency and quality of providing informational advisory services to small and medium-sized business entities and persons aiming to start their own business [15, pp. 280, 422–424].

We believe that this is also related to the accounting system. Accordingly, it is planned to improve the training of personnel, namely through the activation of the development of the dual education system in various fields. From their descriptions provided in the Strategy, we can conclude that among them is direction 07 «Management and administration» and the corresponding accounting specialty («Accounting and taxation»). But instead, the analyzed document practically does not touch on the issue of risks in accounting. Despite this, the list of main risks is clearly identified for each direction of strategic development. This indicates the insufficiency of the popularization and use of the concept of «risk» in the field of accounting when forming the strategic development programs of the region.

Researchers (Nesterenko and Kovalevska, 2021) ascertain the goals of accounting policy based on the results of their study of literary sources. Having analyzed them, it can be stated that from the standpoint of risk management, only about 15 percent of publications are directly related to risks (for management – 9,5 % and the formation of information resources for managers – 4,8 %) (Fig. 3).

Accounting policy regarding accounting management although they have a great potential for risk management, but, as our research shows, the practice of forming accounting policy, are little implemented in the direction of risk management. At the same time, it is precisely in conditions of instability that there is an acute need for its development.



Source: [10, p.192]

Notes: Exceeding 100 percent of the total in the identified structure is due to dual purposes, for example, organization of accounting and reporting or organization and maintenance of records, etc.

Fig. 3. The goals of accounting policy according to scientists (Nesterenko and Kovalevska, 2021)

Surveys of management employees (25 out of 40 subjects for which accounting policy orders were studied) testify to their understanding of the problem of activity risks and their desire to take them into account in accounting for the formation of smoothing and security tools. All respondents answered affirmatively to the question: «Do you think that existing risks should be taken into account and insured?». But to the question: «Does your company have a risk management mechanism and are appropriate funds being formed?» 18 respondents gave a negative answer, 5 answered «yes», 2 – «can't answer».

In view of this, the difficulty of taking into account and solving the issue of risks in the accounting policy, in our opinion, is related to the insufficient level of risk identification. Therefore, when training specialists in the «Accounting and taxation» specialty, relevant disciplines should be introduced into educational programs. Knowledge of types of risks, factors affecting them, as well as approaches to their management is an important task for educational institutions. His solution will allow the formation of accounting policies at enterprises to be carried out qualitatively.

At this point in time, the available tools should be used to ensure the activation of the risk accounting policy. In particular, it is advisable to conduct a survey of management employees to identify the level of satisfaction of their requests regarding risk management using the accounting system.

The form of the proposed questionnaire is given in Table 1.

Table 1

Questionnaire rating assessment of accounting policy elements related to activity risks*

Respondent _____
(name, surname, position)

Risks and their consideration in the accounting policy	Point assessment**	Rating
Economical	7	1
Legal	6	2
Social	3	5
Ecological	3	
Transportation	5	3
Risks related to activity (business)	5	
Information risks	4	4
Commercial	6	2
Force majeure	1	6
Political	0	7
...		

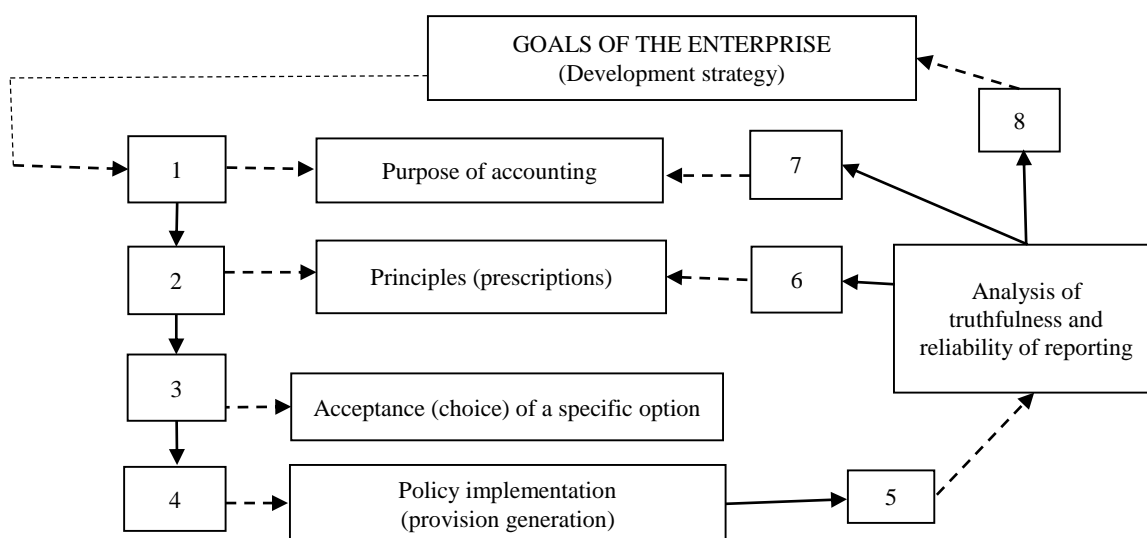
Notes: * author's development;

** assign a score from 0 to 10 depending on the actual state of risk consideration in the current accounting policy (the average score determined by the results of a survey of 5 respondents of one of the studied economic entities is illustrated here).

Application of the questionnaire approach allows you to identify risks that need to be taken into account in the accounting policy. This is possible due to the fact that their assessment is proposed to be carried out by specialists / managers of different levels of management who have practical examples of the occurrence of such risks. The questionnaire presented above illustrates the results of the survey of 5 respondents according to the list of risks proposed by them (calculation is based on the simple average formula). Depending on this, a rating of the actual consideration of risks in the accounting policy of the business entity under study was also given. An alternative version of the list of risks will be their identification on the basis of the implementation of the relevant scientific research (it is advisable to conduct such research according to the branch, establish a list of possible risks and classify them to simplify the survey).

The application of the proposed approach to the assessment of the level of consideration of risks in the accounting policy will allow identifying problem areas and developing options for their solution in the future. Unfortunately, due to the specifics of the accounting policy and requirements for its systematicity, it will be possible to take into account even extremely relevant risks only in the next reporting period.

The implementation of new provisions in the accounting policy in the future indicates the need and possibility of its appropriate linking to the strategy of the company's development and its activities. Regarding this, (Kondraszuk, 2011; 2012), rightly believes that the accounting policy must be treated as defining the appropriate goals for accounting, but it must relate directly to the strategy and goals of the entire company. At the same time, the researcher gives an example of the stages of accounting policy formation (Fig. 4), the first of which actually consists in evaluating the current accounting system and its policy.



Source: [5, p. 73; 6, p. 195]

Fig. 4. Stages of formation, implementation and changes of the accounting policy

The first stage allows you to formulate the expectations of the business entity and its management regarding the goals and requirements for the accounting system. According to (Kondrashuk, 2011), which we support, it is very important for assessing the role of accounting in business. Without a clear definition of the goals, the responsibility for the implementation of which the accounting system assumes, it is impossible to correctly assess its importance and contribution to the implementation of the company's strategy.

The author proposes to evaluate accounting and accounting policy either independently or with the involvement of third-party specialists. In the first case, you can use the approach proposed above. It will allow developing a holistic concept of enterprise development along with setting goals and objectives for accounting.

6. Concluding remarks

The analysis of the provisions of 40 of the Orders «On accounting policy» of enterprises of the Ternopil region shows that there are prospects for their improvement. Research and assessment of elements of the accounting policy regarding the risks of activity proves their insufficient consideration. Identified items directly or indirectly related to risks are present in a number of orders. It can be argued with high probability that the number of provisions on risks depends on the type of business entity and its form of ownership. If we consider only 2 groups – «existing provisions on risks» and «absent provisions on risks», then our research shows that only 1/3 of all investigated Orders have clauses that can be attributed to the category of «accounting and risk management».

Thus, it was found that there is a real need to improve the accounting policy of Ukrainian enterprises in this direction. The proposed approach allows identifying opportunities and needs in taking risks into account. As a result of the research (on the basis of the Polish experience), the expediency of taking into account the strategy of the development of the enterprise's activity

in the accounting policy is substantiated. In accordance with this, the methodology of the first stage of formation, implementation and change of the accounting policy based on the consideration of strategic goals was formed.

The proposed questionnaire and the method of its application for use in the evaluation of the accounting policy contains a list of risks selected by a selective method based on the proposals of the respondents themselves and empirical studies. In the future, for better consideration in the accounting policy, it is advisable to investigate the types of risks in more detail and to form approaches to their classification. It is also important to develop the issue of using modern information systems when evaluating accounting policies and risks.

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